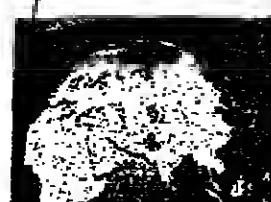




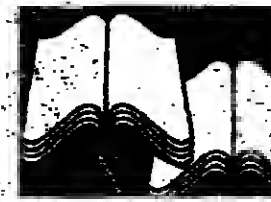
Europe's airlines
Cosy cartels come to an end
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How M&S sells to the world
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Running ahead
The high-tech sports shoe
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James Goldsmith
The rise of the photo-populists
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY NOVEMBER 10 1994

D8523A

AT&T forms \$1bn Mexican telecoms joint venture

AT&T, the US telecommunications group, is to form a \$1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications services in Mexico. Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from January 1997. Page 20

US operations lift News Corp. News Corporation, Rupert Murdoch's international media group, reported a 15 per cent rise in first-quarter net profits to \$301m (US\$222m) following strong results from the company's US film and television operations. Page 23

Sutherland may take caretaker trade role With the contest for the top job at the future World Trade Organisation deadlocked, Peter Sutherland (left), director-general of the General Agreement on Tariffs and Trade, is believed to be ready to step in as a caretaker role. Mr Sutherland said last April he would not be a candidate for director-general of the WTO, which is due to begin work on January 1. Page 18

Hanoi expects \$2bn in foreign aid Vietnam is likely to receive pledges of some \$2bn (£1.2bn) in foreign aid at a donors' meeting in Paris next week and wants about \$100m by the end of the decade to fund its economic reform programme. Page 7

Toyota plans second Canadian plant Japanese carmaker Toyota is to build a second assembly plant in Canada to double production capacity in the country to 200,000 cars a year by the late 1990s. Page 8

Jakarta plans privatisation drive Indonesia plans a privatisation drive as part of its 1995-96 budget, with intergovernmental equity offerings and flotations on the Jakarta stock exchange. Page 7

SA Breweries 21% ahead South African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit to R342m (\$97.8m) for the six months to September, helped by an improvement in South African consumer confidence. Page 23

EU signs \$124m Palestinian aid deal The European Union signed an agreement with Yasser Arafat, chairman of the Palestinian self-rule authority, for aid worth up to \$124m next year. Page 6

Union Pacific tries new tactic The battle for Santa Fe Pacific, one of the biggest US railway companies, intensified as Union Pacific, the hostile bidder, produced a new offer designed to outmanoeuvre Burlington Northern, the friendly suitor. Page 22

Siemens down 17% German electronics group Siemens is to pay an unchanged dividend despite a 17 per cent drop in annual net earnings to DM1.56bn (\$1.1bn). Page 19; Lex, Page 18

Co-op Bank may be sold The sale of part or all of the UK-based Co-operative Bank is being considered by its owner, the Co-operative Wholesale Society. Page 20

C&W plans cuts at Mercury UK telecommunications group Cable & Wireless announced staff and cost cuts at its UK-based Mercury Communications subsidiary while reporting an 11 per cent increase in interim pre-tax profits. Page 19; Lex, Page 18

Swedish PM's pledge if voters back EU Swedish prime minister Ingvar Carlsson promised an urgent government programme to increase employment if there was a Yes vote in Sunday's referendum on membership of the European Union. Page 18

New private hospital in receivership Health Care International, the Scottish private hospital opened four months ago to cater for overseas patients, went into receivership when its bankers were unable to agree a rescue package. Page 9

UK students protest at funding cuts Up to 20,000 students marched through London protesting about grant cuts which they say make it impossible to survive without incurring big debts. Page 5

Protest at livestock shipment Animal welfare groups protested at Shearwater in Kent at the launch of a UK ferry service carrying live animals to mainland Europe. Page 9

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,896.5 (+35.8)	New York lunchtime	\$ 1.697
Yield	4.11	London	\$ 1.696 (5.184)
FT-SE Europe 100	1,345.14 (+20.85)	DM	2,634 (2.432)
FT-SE-Air Share	1,345.14 (+20.85)	FF	8,435 (6.393)
100-day	1,345.14 (+20.85)	Sfr	2,052 (2.047)
New York lunchtime	1,345.14 (+20.85)	Y	158.811 (158.993)
Dow Jones Ind Ave	3,824.01 (+6.73)	E index	90.8 (89.5)
S&P Composite	464.84 (+0.81)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	4.12%	New York lunchtime	DM 1.52825
3-mo Treasury Bill	5.332%	FF	5,249
Long Bond	8.10%	Sfr	1,277
Yield	8.10%	Y	97.65
LONDON MONEY		DM	1.53 (1.5997)
3-mo interbank	8.14%	FF	5,253 (5.189)
Life long gilt future	Dec 01/02	Sfr	1,281 (1.289)
		Y	97.78 (97.09)
NORTH SEA OIL (Aargau)		\$ index	61.7 (61.2)
Brent 15-day (Dec)	\$17.34 (17.24)		
GOLD			
New York Comex (Dec)	\$384.5 (384.8)		
London	\$384.4 (385.1)		
		Tokyo close	¥ 87.24

Doubts over trade and foreign policies ■ Investors expect pro-business Congress

US faces political gridlock as Republicans sweep to victory

By Jurek Martin and George Graham in Washington

US mid-term election results		
	NEW	OLD
HOUSE		
Democrat	204	256
Republican	230	178
SENATE		
Democrat	47	58
Republican	53	44
GOVERNORS		
Democrat	18	29
Republican	31	20
Independent	1	1

Provisional forecasts based on AP results

The most sweeping Republican triumph in congressional and state governor mid-term elections in nearly 50 years left the US yesterday with the prospect of confrontation and protracted political gridlock. Magnanimity from the victors and pledges of co-operation from the vanquished were the prevailing sentiments yesterday, but there were doubts about the fate of foreign and trade policies, as well as the purely domestic, over the next two years.

Congressman Newt Gingrich, almost certain to be the next Speaker of the House of Representatives, said he would seek to find areas of accommodation with the Democratic administration - on greater budgetary control, tax credits for middle-income families and welfare reform - before pressing ahead with the more ideological elements in the Republican manifesto most obviously unpalatable to President Bill Clinton.

Mr Clinton, on the receiving end of a drubbing, was due to offer his own post-mortem at a press conference. But he called Mr Gingrich yesterday and, according to reports from both sides, offered, and received, pledges not to allow the nation's government to sink into gridlock. The 52-48 majority in the Senate won by Republicans at the polls even grew by one when Senator Richard Shelby, the conservative Democrat from Alabama, announced he was crossing the political aisle. Flanked by the Republican hierarchy, senators

Boh Dole and Phil Gramm, he said he was joining "a party of hope for America" and leaving "a party of dependency". But Mr Dole and Mr Gingrich were generally less inclined to crow even after the results, in which no Republican incumbent was defeated, far exceeded their wildest dreams. It was an election in which public discontent with government in most of its works was manifest.

Mr Leon Panetta, White House chief of staff, said he had spoken to Mr Gingrich on Tuesday night and, trying to hold the Republican's feet to the fire, "he pledged to work with us to try and get the Gatt treaty passed". The Gatt vote is due later this month by both Houses in a special session of the old Congress.

Mr Panetta conceded "clear disappointment", but denied the results were a vote of no-confidence in the president or his economic policies that had produced so many new jobs. "It's really a vote that places on the Republicans the responsibility to help govern this country with the president," he said.

But the Senate will have to get along without a Republican candidate who would have been difficult to imbue with any spirit of co-operation. Mr Oliver North lost in Virginia to Senator Charles Robb.

In California, Mr Michael Huffington, who spent \$25m in his campaign, had still not publicly accepted his two-point defeat by Senator Dianne Feinstein at noon when almost all the votes were counted.

The Republican losses were more than offset by the call of dozens of Democratic luminaries, from Congressman Dan Rostenkowski in Illinois through to Governor Mario Cuomo in New York to Senator Jim Sasser in Tennessee, all victims of voter resentment and unknown Republicans.

The result leaves the country with a new political face. In the House, with nine contests still undecided, the Republicans, with a provisional net gain of 49, already had acquired an edge of about 227-198.



President Bill Clinton: offered, and received, pledges not to allow the nation's government to sink into gridlock

Dollar rises but stocks fall back after gains

By Patrick Haverson in New York

Republican success in Tuesday's elections sparked a strong rally in the dollar and US and European financial markets yesterday, as investors anticipated that a more pro-business Congress would pursue policies to aid growth and cut government spending.

However, US markets were unable to sustain their early gains and Wall Street retreated amid concerns that conflict between President Bill Clinton and a Republican Congress could undermine investor confidence in the economy and the dollar. The markets were also troubled by fears of rising US interest rates; most analysts expect the Federal Reserve to raise rates next week to slow economic growth and restrain inflation.

Some analysts believe the poll results have important implications for monetary policy. Mr Richard Ewey, chief economist at the investment fund group Dreyfus, said: "The Fed will now be more free to tighten as fast and as much as it wants. It had been under pressure from Democrats in Congress."

The possibility that the Republican success could lead Mr Alan Greenspan, the Fed chairman, to raise rates further and faster than the markets had expected was behind some of the selling on US markets yesterday.

By 1pm the Dow Jones Industrial Average - which had jumped 38 points in the opening minutes - was down 11.44 at 3,819.36. The dollar, however, remained higher, up almost 2 pennings against the D-mark at DM1.625, and up half a yen at ¥175.62.

European stock markets greeted the Republican victories with impressive advances, but unlike Wall Street they kept

Continued on Page 18
World stocks, Page 38
London market report, Page 31
Currencies, Page 36

German multimedia deal blocked by EC

By Emma Tucker in Brussels and Michael Lindemann in Bonn

The European Commission yesterday blocked a multimedia deal among three of Germany's most powerful companies after deciding it would prevent other competitors from entering the German market for pay television.

Using for only the second time its powers to block joint ventures, the Commission yesterday authorities argued that the deal was incompatible with the single market.

At stake was a proposed venture between Bertelsmann, the world's second largest media group, the Kirch group, one of

Germany's biggest private television companies; and Deutsche Telekom. The companies intended to set up a company - MSG - to provide infrastructure, marketing and booking services for commercial pay-TV.

Some sections of the multimedia industry said the Commission's decision would frustrate the development of multimedia services in Europe.

"A practical entrepreneurial attempt to create a market of the future has been prevented," Kirch said. "The decision means that the creation of a digital communications infrastructure with the required management will not be possible."

In July, the Commission

launched an investigation, fearing the venture could create a dominant position in the German pay-TV market.

"In principle a joint venture like MSG is desirable because it is able to implement new technologies such as digital television," said Mr Karel Van Miert, commissioner with special responsibility for competition policy.

But the structural features of MSG would lead to a protection of its market position, as well as for digital pay-TV.

The market for pay-television programmes and services is expected to expand as digital television is introduced. The Commission said the prospects were particularly good in Germany

because of the high number of households - 21m - which already receive television by cable or satellite.

Bertelsmann said yesterday the Commission's ruling had, in the short term, closed possibilities for many smaller programme producers to access future television technology. "At the moment, the

merger partners are the only people in Germany who have the technical and administrative capabilities to run such a business," it said.

Mr Van Miert denied the ruling represented a setback for

Continued on Page 18
Brussels closes gateway, Page 3

Renault share sale likely to be oversubscribed, says minister

By John Ridding and Andrew Jack in Paris

The public offer for shares in Renault, which closes tonight, is likely to be oversubscribed, Mr Edmond Alphandery, the French economy minister, said yesterday.

Private investors are being allotted the majority of the shares on offer in the partial privatisation of the motor group and first estimates of private demand had been encouraging despite depressed stock market conditions, Mr Alphandery said.

However, the retention by the French government of just over 50 per cent of Renault could also limit the number of private applications, he added.

"I am confident about the operation," he said, although he indicated that the level of subscriptions could be less than in previous privatisations. Final figures on applications will be announced on Wednesday.

ment's programme of privatising 21 publicly-owned groups have attracted strong demand from private investors. Elf Aquitaine, the oil group, drew 3m investors when it was privatised earlier this year, and Rhone-Poulenc, the chemicals and pharmaceuticals company, drew 2.9m when it was sold at the end of 1993.

Institutional investors have also shown strong demand for the privatisation issues. In the case of Renault, the shares allocated to institutions have been subscribed more than 15 times.

Some bankers said that individual demand for Renault shares was weaker than for previous privatisation issues, but most industry analysts believed the issue would be fully subscribed, partly because of its pricing.

At FF165 per share, Renault is valued at just under FF450bn (\$7.8bn), lower than the FF450bn to FF500bn valuations given by some motor industry analysts. The pricing gives Renault a relatively modest price/earnings ratio

of about nine times expected 1995 earnings.

Mr Alphandery said he was confident the government's privatisation programme would maintain momentum, including the receipts from Renault, the sale of public sector assets has already netted the government about FF103bn, he said.

According to Mr Alphandery, Assurances Générales de France, the insurance company, will be sold as soon as market conditions permit. The sale of the company has been delayed by the sharp fall in its share price, resulting from the impact of higher interest rates on its bond portfolio. Mr Alphandery has started the process of appointing adviser banks for Sella, the tobacco company, but no date for the sale has been set.

French privatisation has gone more smoothly than public sector asset sales in some other countries, Mr Alphandery noted, but demand for some of the early issues had been abnormal.

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هتكم امن الاصل

Kinnock revs up in lay-by

The European Union's next transport commissioner is eager to get motoring, write David Gardner and Lionel Barber in Brussels



EUROPEAN INTERVIEW
Mr Neil Kinnock is straining at the leash. Maybe it is the prospect of leaving behind British politics for lusher European pastures, but this week the former leader of the UK Labour party was in abuzz about his new job as EU commissioner for transport.

Commissioner Kinnock, who starts work in January, likes the transport portfolio. After all, ordinary European citizens can relate more readily to good, cheap, safe trans-frontier travel by air, road, rail or sea, than to the often opaque debate about the future of Europe.

"Transport is something tangible," said Mr Kinnock in an interview. "It can have an application literally at street level."

Over the next five years, he believes "there is a real job for advocacy and advocates" of Europe. His warm, folksy manner will help make Europe more relevant, but ever conscious of his reputation back home as the "Welsh windbag", he knows that "going for the flamboyant phrase" will not be enough to win credibility.

"Before the headline term is used we need a strategy for its delivery," he says soberly. "Without that, this [Commission] will always look like a well appointed rest home for bureaucrats."

It is too early to pin down the new commissioner on specific policies. But he is clearly aware of the two toughest challenges in his in-tray: development of the trans-European networks (TENs), the multi-billion Ecu road, rail and other transport projects designed to link Europe's single market; and state aid cases, particularly among some of Europe's cosseted airlines, which threaten to distort that market.

The TENs (like the Channel tunnel which he used to get to Brussels this week) are seen as job-creators in their own right, assuming up to Ecu400bn (£312bn) is spent over the next decade or so. But they are also the key to strengthening EU competitiveness and "shrinking" the continent. Mr Kinnock reminds listeners that in the mid-19th century, "single markets were created by a transport revolution" in Britain, France and Germany. "The next 40 years will see us go through a similar process" at continental level, through a

public and private partnership "on a scale that has never been seen before".

While acknowledging the concerns of Europe's eco-lobby, he says the Greens must not be allowed to halt judiciously planned projects which will help save "billions and billions on wasted time and fuel" on Europe's clogged highways.

On state aid, the former Labour leader seems surprisingly hawkish, even going as far as to hint that he may revisit the Commission's recent approval of FF200bn (£24bn) in fresh state aid for Air France, the beleaguered national carrier.

"As far as I'm concerned [Air France] is an ongoing story. No decision could reasonably have been expected to be final, could it?" he says.

The Air France aid is under challenge in the European Court from a British Airways-led coalition. It is only the largest sum in a torrent of government finance to national airlines which Brussels is allowing in exchange for "last chance" restructuring plans.

Mr Kinnock believes a fine judgment has to be made between subsidies which "are appropriate for the maintenance of vital services, or

where they are giving an unfair competitive advantage". But he insists: "Unfair advantage has got to be taken on."

Mr Kinnock is bound to be more like the UK's senior commissioner, Sir Leon Brittan, than Mr Bruce Millan, the former Labour cabinet minister whom he is replacing. Sir Leon has repeatedly trumpeted his own and the Union's successes in competition and trade policy; by contrast, Mr Millan is almost allergic to publicity.

Yet Mr Millan, a former secretary of state for Scotland, is widely credited with running a tight ship and making a success out of the EU's regional aid policy.

Asked whether he will be at a disadvantage in Brussels, never having run a ministry in the UK, Mr Kinnock replies: "I would say, modestly, yes." But then, he smiles, "there are not many government departments that equate to the Labour party".

So what are the main qualities a commissioner needs to do a good job? For a moment he hesitates, then reaches for Antonio Gramsci, the Italian Marxist thinker, who spoke of the need to combine "optimism of the will, with pessimism of



Neil Kinnock: "Transport is something tangible; it can have an application literally at street level."

the intellect". More practically, he admits that it also helps to be well connected with his Euro-Socialist confrères, who number 10 on the 21-strong Commission.

Mr Kinnock is clearly delighted to be able to team up with his wife, Glenys, who preceded him into Europe and is already establishing a prominent voice as a newly elected European parliament member. He intends to make his views

known across "a fairly broad spectrum", from monetary union, through social policy, to EU expansion and reform - all issues that spark warfare among Britain's governing Conservatives. "There will be occasions," he says quietly, but he does not see himself primarily as a Brussels adjunct to the UK's tortured domestic debate on Europe. Advocacy, yes; but "the soap-box is not in my baggage".

EUROPEAN NEWS DIGEST

UDF members threaten revolt

Leading members of France's centrist UDF, part of the centre-right governing coalition, warned yesterday they could back a candidate from another party in next year's presidential elections. The statement, by former industry minister Gérard Longuet among others, said they would not be bound to support a candidate from party ranks if it obstructed a single candidate from the coalition. The statement reflects a move by many in the party to support Mr Edouard Balladur, the prime minister and a member of the Gaullist RPR party, rather than Mr Valéry Giscard d'Estaing, head of the UDF.

Polls show Mr Balladur ahead of Mr Jacques Chirac, the RPR leader and the only serious contender yet to have announced his candidacy. However, an RPR party congress has been called for next weekend to endorse Mr Chirac's candidacy. *John Ridding, Paris*

Czechs set EU target dates

The Czech Republic is to apply to join the European Union in 1996 and expects to be a member by 1999, Mr Vaclav Klaus, prime minister, said yesterday. Membership talks are expected to begin after the EU inter-governmental conference in 1996 which is to set the ground rules and timetable for membership for the countries of central and eastern Europe. Mr Klaus said the government would establish a special committee on January 1 to oversee the application. The Czech Republic will join Poland and Hungary as the first post-communist countries to be considered for membership. Hungary and Poland have already applied. *Vincent Boland, Prague*

Bosnian Serbs strike back

The Bosnian Serb assembly yesterday met to declare a state of war and claims of Serb military gains against Muslim forces in the north-west. The United Nations yesterday confirmed that Bosnian Serbs had retaken territory round the Blance pocket, a 100km enclave designated a UN safe area. Yesterday's meeting comes after Serbs have lost some 800 square kilometres of land in north and south-western parts of the country. Bosnian Serb political and military leaders last week recommended the assembly proclaim a formal state of war. They also declared a general mobilisation. After 31 months of war, it is unclear what new measures Bosnian Serb chiefs would take if the declaration is made. But it would probably increase their already tight control over the self-styled Serb state as it could include rule by decree or martial law.

The Muslim offensive, launched two weeks ago, has raised fears of an all-out war as renewed fighting broke out on several fronts. Sarajevo yesterday suffered its worst day of fighting for several months. Mr Thant Myint-U, UN spokesman, denounced as "disgraceful" the sniper and mortar attacks which killed two teenage girls, a woman and a young boy in the Bosnian capital. In an attempt to salvage a ceasefire which has broadly held since February around Sarajevo, General Sir Michael Rose, head of UN forces in Bosnia, yesterday "urgently" summoned the commanders of the warring sides to the city airport. *Laura Silber, Belgrade*

More Russian cabinet changes

Russia's prolonged cabinet shuffle continued yesterday with the appointment by President Boris Yeltsin of two new deputy prime ministers: Mr Oleg Davydov, the foreign trade minister, and Mr Alexei Bolshakov, an industrialist. Mr Yeltsin said the changes were part of a broad effort to bring "professionals and not politicians" into the government. But Russian observers, perplexed by a week of new appointments and resignations which appear to have favoured reformers and conservatives in equal measure, are interpreting the changes as part of a complex power struggle between Mr Yeltsin and Mr Victor Chernomyrdin, his prime minister.

By replacing Mr Alexander Shokhin as deputy prime minister, Mr Davydov - who upset markets over the summer with an impromptu demand for debt forgiveness - will assume responsibility for all of Russia's foreign economic negotiations. Mr Bolshakov is to be responsible for relations between Russia and other members of the Commonwealth of Independent States. He is a favourite of the conservative parliament and is expected to strengthen the "red barons", the former Soviet factory directors, against the younger, academic market reformers in the cabinet. *Christina Freeland, Moscow*

German health insurance call

The German government yesterday called on statutory health insurance bodies to cut contributions paid by workers and employers by January 1996, prompting a sharp reaction from the federation of health insurance funds (AOK). A government statement said contributions - averaging around 13 per cent of salary, divided equally between workers and employers - should be lowered because the new state scheme of care for the aged would relieve the insurance funds of the need to support those needing special care after next April. However, the AOK said contributions had been reduced last year and more than DM22bn (\$13bn) passed on to individuals and employers. The AOK said it had no financial reserves which would justify cutting contributions, but would consider cutting them again in 1995. *Andrew Fisher, Frankfurt*

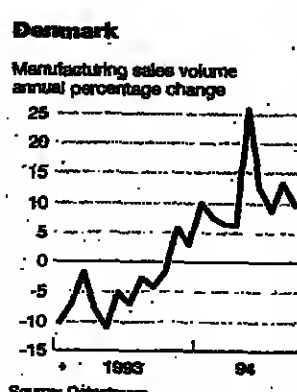
Two left in Spanish phone race

Last minute withdrawals in the contest to enter the Spanish mobile telephone market have narrowed the field to two consortia, which will deliver their bids on Monday. The licence, to be awarded before the end of the year, is the first significant step in a deregulation process that, over the next three years, will introduce cable television and end Telefonos's monopoly as a national basic telephony operator.

The latest defections include Repsol and Gas Natural, the two leading Spanish energy companies, and the US operators BellSouth and GTE. A rapid realignment leaves two consortia. One has Air Touch of the US and BT of the UK as its technological partners and is backed by Banco Santander and Banco Central Hispania as principal shareholders; the other groups the UK's Rascal Vodafone and Germany's Veba with Banco Bilbao Vizcaya and retail chain Corte Ingles and media group Prisa among other partners. *Tom Burns, Madrid*

ECONOMIC WATCH

Pick-up in Danish industry



The volume of deliveries by Danish manufacturing industry increased by about 10 per cent in the third quarter from the same period last year, according to official statistics. Third quarter export deliveries (in current prices) were up by 10 per cent and domestic deliveries by 9 per cent, while new orders were up by 15 per cent. Producer prices increased by 1 per cent. *Hilary Barnes, Copenhagen*

■ The European Union's gross domestic product rose by a real 0.9 per cent from the first to the second quarter of 1994. Italy, at 1.4 per cent, recorded the largest rise; Germany's was the smallest at 0.5 per cent.

■ Producer prices in Germany were unchanged in September from the previous month and were 0.8 per cent higher than a year earlier.

■ France's current account showed a seasonally adjusted deficit of FF221m (£34.6m) in August after a FF7.65bn (£811m) surplus in July.

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Deutsche Bank



مكتبة النجف

Technology may be running streets ahead but Germany's MSG venture finds a dead-end Brussels closes off a multimedia gateway

By Emma Tucker in Brussels

A tough application of European competition law led yesterday to the blocking of a pay-television joint venture between two German media companies, Bertelsmann and Kirch group, and the state telephone monopoly - as the Brussels Commission moved to prevent what it saw as a potential distortion of three markets.

But if the decision looked good for competition, it raised questions about the development of multimedia in Europe, and whether the Commission was trying to control an essentially uncontrollable and speedily evolving industry.

For the Commission, the decision was clear-cut. "If you have big players dominating the gateway to a market, then you have to intervene," said a Commission official yesterday. "We have to ensure that no one shuts off the potential for new players coming in."

Mr Karel Van Miert, the competition commissioner, said Brussels blocked the deal because it considered, after discussions with more than 100 companies and industry bodies, that the proposed concentration was likely to create or reinforce a dominant position in three separate markets.

First, Bertelsmann and Kirch would dominate the market for pay-television services, distinct from traditional television, as it is mainly financed by subscribers. The market is a potential pot of gold since from next year, digitalisation is expected to lead to an explosion in the number of pay-TV programmes.

Second, MSG - as the proposed merger was known - would have dominated the market for the technological services associated with pay-TV operators, limiting if not preventing the entry of competitors. These services include the provision of decoders, leased to subscribers to unscramble those services for which they have paid. They also include "access control systems" which enable operators to restrict pay-TV channel reception to subscribers.

Third, the Commission argued that the merger would have allowed Deutsche Bundespost Telekom, the state telephone monopoly, to reinforce its dominant position in the market for cable network services. Mr Rolf-Dieter Lister, chairman of Deutsche Telekom's supervisory board, reacted by saying he considered the decision a blow for



Karel Van Miert: feared distortions in three markets

the German pay-television market. "We want to get a market moving which hardly exists in Germany and Europe, otherwise this technology will be introduced in Germany much later."

Industry analysts agreed

that outdated competition and ownership rules, as applied by national governments and the Commission, could hinder the development of an industry where technology is running streets ahead of government thinking. "The message to industry from this decision is that here is yet another thing which is going to delay the generation of revenue from the digital superhighway," said Mr John Scaife, media consultant at Charon Capital in London.

The key to development, argues Mr Scaife, is the combination of delivery networks together with ownership of programmes and films.

Such a combination would allow companies to package services to customers, offering them, for example, both telephone and television services to justify the price of subscription.

Yesterday, the Commission was adamant. "Telekom owns most of the cable network in Germany and controls its development," it said. "It also controls the return channels necessary for interactive services, and has direct access to more than 4m cabled households. Bertelsmann and Kirch already have Premiere and own incomparable programme resources; moreover, Bertelsmann is a major operator of book clubs."

"No competitor has such advantages nor could reasonably enter the MSG market," it concluded.

Last-minute concessions offered by the merging parties were not accepted by the Commission. These included development of a system whereby competitors could have used the decoders, and an undertaking not to discriminate against other pay-TV operators when it came to renting contracts for decoders, and use of commercial information.

"These undertakings are in fact a mere declaration of intent not to abuse a dominant position on the market for administrative and technical services to the detriment of competitors," said the Commission.

Lastly, MSG undertook to develop the digital cable network to ensure that there was no shortage of transmission capacity.

This too was rejected by the Commission, as too difficult to check and already linked to the regulatory obligations imposed on Telekom.

With the development of digital TV technology set to transform television services over the next few years, the Commission is likely to have to consider other complicated multimedia cases. But as the technology changes and evolves, consideration may need to be given on how best to apply competition rules.

Battle joined for WEU post Bruce Clark on differences within Europe's defence club

The transformation of the nine-nation Western European Union into a full blooded defence club will get underway today with an ill tempered contest for its top job.

Whoever wins the race to become WEU secretary-general will have to reconcile differences between Britain and many of its continental partners over the route and pace of Europe's path towards greater self-sufficiency in defence.

The winner will also be struggling to settle another, even tougher argument - between the WEU, including Britain, on the one hand and the US on the other - over the terms on which the US will "lend" military hardware to European defence missions.

Having failed to reach consensus on who will be the next secretary-general, ambassadors of the nine member states will be voting in Brussels on Italian, Portuguese and Spanish candidates. If there is deadlock, the Dutch incumbent, Mr Willem van Eekelen, could remain in office.

The job seems certain to be a substantial one, because the principle of reviving the WEU as the European pillar of Nato, and the defence arm of the European Union, is no longer questioned by any of its members.

The 40-year-old WEU - which groups all EU members except Denmark and Ireland, and will soon incorporate Greece - binds its members to defend one another in even stronger terms than the founding treaty of Nato.

But in practice, Nato has largely overshadowed the European club, at least until last January when the US told its allies to take more responsibility for their own defence.

The candidates for the WEU job are two diplomats - Mr Giovanni Jannuzzi of Italy and Mr Jose Cutilheiro of Portugal - and Mr Enrique Baron Crespo, a Spanish Socialist politician.

If today's vote yields a clear result, the winner will be endorsed at next week's meeting in the Netherlands of WEU foreign and defence ministers, which will also hear calls for rapid progress towards a common European defence policy.

Britain, which used to argue that a strengthened WEU would alienate the US, is now stressing that it fully supports the idea of giving the European body some extra punch.

In practice, that would mean that certain defence tasks - in which the Europeans wanted direct involvement but the US did not - would be shouldered by the WEU, which would borrow US military hardware from Nato as necessary.

However, the US wants to retain considerable say in any missions for which it is providing military assets, and ideally the right to pull its equipment out if a more pressing need arises elsewhere.

The French - and, as of recently, the British - argue that the new arrangement will work only if the Europeans can count on being able to borrow Nato's military hardware whenever it is required.

"There would have to be a presumption, at least, that Nato assets would be available," said a UK diplomat.

Despite moving closer to France on some issues, Britain is putting the brakes on proposals to issue a toughly worded statement on a common European defence identity in the near future.

It says this would pre-empt preparations for the 1996 conference on the future of the European Union.

London is also talking down the idea of an early 24-nation summit grouping the WEU's full members and nations with associate or observer status.

In today's vote, Mr Cutilheiro expects the backing of Britain and probably the Netherlands, while Mr Jannuzzi enjoys French support and is hoping that the Germans - waverers until the last minute - will rally to his cause. UK diplomats have hinted that they would prefer Mr Jannuzzi to Mr Baron.

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\$1m to give away - in cyber-bucks

By Alice Rawsthorn

Wanted: 10,000 cyber-junkies to participate in an experiment to test a new electronic payment system specially designed for use on the Internet. Each volunteer is required to spend \$100 in cyber-bucks during the experiment.

DigiCash, an Amsterdam-based company that specialises in developing new electronic cash payment systems, has invented a form of digital money with which people can pay for products or services bought on the Internet, the international system of computer networks.

Mr David Chaum, a former academic who taught at University of California and New York University before becoming managing director of DigiCash, said the digital payment system - dubbed E-Cash - had been devised for use by conventional banks as an alternative form of payment on the Internet that protects the privacy of the user.

DigiCash has for the past week been operating E-Cash on an experimental basis. A number of commercial companies, including Encyclopedia Britannica and Wired, the technology magazine, are participating in the trial by allowing the DigiCash volunteers to pay for their products in apocryphal 'cyber-bucks' using the E-Cash system.

During the trial DigiCash is offering each volunteer can withdraw \$100 from the DigiCash bank in digital coins, each of which is in the form of a numerical code.

giving away a total of \$1m in cyber-bucks to up to 10,000 volunteers, each of whom will be allowed to spend \$100. Each participant can withdraw their \$100 from the DigiCash 'bank' in 'digital coins', each of which is in the form of a numerical code.

If the volunteers want to access an article from Wired on the Internet, they pay for it with digital coins. Wired then verifies that the payment is valid by checking the numerical code of each 'coin' with the DigiCash bank through the Internet. If the bank approves, the purchase goes ahead.

DigiCash hopes that commercial banks will offer E-Cash as an alternative to their standard payment systems. Mr Chaum said he hoped soon to conclude negotiations with a UK bank which is interested in introducing E-Cash. A conventional bank would operate the system in the same way as the DigiCash bank in the trial.

Commercial transactions on the Internet are currently paid for with bank debit or credit cards. The main advantage of the E-Cash format to users is that it enables them to conduct their Internet transactions in privacy.

The numerical code on each digital coin is calculated according to a mathematical formula devised by DigiCash. This ensures that the bank sees a scrambled version of the user's original code and therefore, although it validates each 'coin', it does not monitor individual transactions.

So far the E-Cash trial is going very well, according to DigiCash. After only one week on-line it has signed up 1,000 volunteers and new recruits are flooding in at the rate of 80 or 90 a day.

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NEWS: US MID-TERM ELECTIONS

Losers and winners in polls which dealt a severe blow to Clinton and the Democrats



Doleful North (defeated in Virginia); Job Bush comforted (apparent loser in Florida); jubilant Michael Patrick Flanagan (victor over Dan Rostenkowski in Chicago); dancing Teddy Kennedy (survivor in Massachusetts); and Tom Foley (threatened in Washington)

A seismic takeover for the Republicans

By George Graham in Washington

Even if the Republican party had fallen short of complete control of the Senate and the House of Representatives, the congressional power structure was already well on its way to a substantial shake-up because of the retirement and defeat of a number of party leaders and powerful committee chairmen.

But with outright majorities in both chambers, the Republicans will make a seismic takeover of the committee apparatus.

Most Republican candidates for House seats signed the "Contract with America" prepared under the leadership of Congressman Newt Gingrich, the architect of the Republican victory, who will almost certainly take over as Speaker of the House.

The Contract pledges to bring to the House floor in the first 100 days of the new Congress 10 substantial bills, including measures to cut income and capital gains taxes, increase defence spending, provide for a balanced budget amendment to the constitution, toughen penalties for criminals, cut back on welfare payments and set term limits for members of Congress.

But many House candidates have been running away from the details of the Contract - and even its chief draftsmen say they promise only to bring these measures to a vote, not to pass them.

Republican Senators have also been sceptical about the proposals, which do not include specific spending cuts to meet a balanced budget requirement, and the Republican leadership structure in the Senate is likely to be much more moderate, particularly on economic issues.

Senator Bob Dole, the Republican leader, will be flanked by Senator Phil Gramm, a right winger with unimpeachable presidential ambitions who chairs the Republicans' Senate campaign committee.

Other right wingers will take over some important posts, notably Senator Jesse Helms, the extreme conservative from North Carolina at the head of the foreign relations committee, and Senator Alfonse D'Amato, the Republicans' chief attack dog on the Whitewater issue, as chairman of the banking committee.

But major economic policy positions in the Senate will be held by some of the party's leading moderates.

Senator Robert Packwood, although politically weakened by charges of sexual harassment which are still under investigation, is expected to chair the Senate finance committee, with jurisdiction over all tax-related matters. However, Senator Gramm has hinted that he might seek to elbow Mr Packwood aside. Mr Packwood's fellow Oregonian, Senator Mark Hatfield, will take over the

appropriations committee, which controls government spending.

Moderates will also head the labour committee (Senator Nancy Kassebaum) and the environment and public works committee (Senator John Chafee). Senator Larry Pressler, a stiff-necked South Dakotan with an unpredictable set of beliefs, will take over the commerce committee, where he is likely to be much more of a free trader and much less of a regulator than Senator Ernest Hollings, the current chairman.

Perhaps the determining factor in the direction of the Republican Congress will be the influence that Senator Pete Domenici of New Mexico manages to wield as chairman of the budget committee. A fiscal conservative, almost to the point of obsession, Mr Domenici has been one of the few Republicans willing to contemplate unpopular measures such as tax increases and cuts in entitlement programmes such as social security and Medicare in his desire to control the budget deficit.

Mr Domenici is therefore likely to play a central role in curbing the more wayward Republican promises of tax cuts and in tackling the long-term fiscal imbalance that the US faces in the next century if it does not alter the terms of social security and Medicare.

He is aligned with his House Republican colleagues on the need for a

line-item veto but could clash with them over the supply side premises of the Contract with America's tax cut proposals. Congressman Dick Armey, the chief backer among the House Republicans of a flat income tax rate, says the cuts will cost \$130bn to \$150bn, but says the Republicans will simply change the way the Congressional Budget Office scores tax measures to assume that tax cuts will pay for themselves by stimulating the economy - a logic which failed to balance the budget in the Reagan era.

Mr Armey currently ranks third in the Republican hierarchy, but with the retirement of Congressman Bob Michel, the current minority leader, and the elevation of Mr Gingrich to Speaker, he is likely to take the number two post of majority leader, now held for the Democrats by Congressman Richard Gephardt.

He will be backed on most tax issues by Congressman Bill Archer, a fellow Texan who will probably become chairman of the House Ways and Means committee, and by Congressman John Kasich, who will take over the budget committee. In some other key House committees, however, the Republicans are expected to override the normal seniority rules that have prevailed in the past.

At the appropriations committee, Congressman Joseph McDade is the senior Republican but his indictment

on corruption charges is expected to block him from the chairmanship. The second ranking Republican, Congressman John Myers of Indiana, may be too moderate for the taste of the new House majority.

Congressman Jim Leach of Iowa, a moderate but another leader of the Whitewater pursuit team, will become chairman of the banking committee, and Congressman Benjamin Gilman of New York, one of the most centrist members remaining in the Republican party, will chair foreign affairs.

But Mr Gingrich is expected to push for a close ally, Congressman David Dreier of California, to head the Rules committee, which plays a crucial role in deciding which legislation comes to the floor, and with what amendments, rather than Congressman Gerald Solomon, who is now the senior Republican member of the committee.

Congressman Tom Bliley of Virginia, and not senior Republican Carlos Moorhead, is also expected to take over the energy and commerce committee, the barony created by the all-powerful Congressman John Dingell. Mr Dingell's loss of the chairmanship could prove one of the most important changes. His claim to jurisdiction over virtually everything has blocked many legislative proposals, and his departure could pave the way for the measures such as repeal of the Glass-Steagall act, which separates investment and commercial banking.

Republicans make sweeping gains

Results state by state

Tuesday's vote elected one-third of the Senate, the House of Representatives and 36 state governors

	DEM	REP	IND	OTH
Alabama	▲	▲	▲	▲
Alaska	▲	▲	▲	▲
Arizona	▲	▲	▲	▲
Arkansas	▲	▲	▲	▲
California	▲	▲	▲	▲
Colorado	▲	▲	▲	▲
Connecticut	▲	▲	▲	▲
Delaware	▲	▲	▲	▲
Florida	▲	▲	▲	▲
Georgia	▲	▲	▲	▲
Hawaii	▲	▲	▲	▲
Idaho	▲	▲	▲	▲
Illinois	▲	▲	▲	▲
Indiana	▲	▲	▲	▲
Iowa	▲	▲	▲	▲
Kansas	▲	▲	▲	▲
Kentucky	▲	▲	▲	▲
Louisiana	▲	▲	▲	▲
Maine	▲	▲	▲	▲
Maryland	▲	▲	▲	▲
Massachusetts	▲	▲	▲	▲
Michigan	▲	▲	▲	▲
Minnesota	▲	▲	▲	▲
Mississippi	▲	▲	▲	▲
Missouri	▲	▲	▲	▲
Montana	▲	▲	▲	▲
Nebraska	▲	▲	▲	▲
Nevada	▲	▲	▲	▲
New Hampshire	▲	▲	▲	▲
New Jersey	▲	▲	▲	▲
New Mexico	▲	▲	▲	▲
New York	▲	▲	▲	▲
North Carolina	▲	▲	▲	▲
North Dakota	▲	▲	▲	▲
Ohio	▲	▲	▲	▲
Oklahoma	▲	▲	▲	▲
Oregon	▲	▲	▲	▲
Pennsylvania	▲	▲	▲	▲
Rhode Island	▲	▲	▲	▲
South Carolina	▲	▲	▲	▲
South Dakota	▲	▲	▲	▲
Tennessee	▲	▲	▲	▲
Texas	▲	▲	▲	▲
Utah	▲	▲	▲	▲
Vermont	▲	▲	▲	▲
Virginia	▲	▲	▲	▲
Washington	▲	▲	▲	▲
West Virginia	▲	▲	▲	▲
Wisconsin	▲	▲	▲	▲
Wyoming	▲	▲	▲	▲
Uncontested	▲	▲	▲	▲

Source: Research by Nancy McDard in Washington

ELECTION DIGEST

Kennedy clan bucks the trend

While many Democrats were buried in Tuesday's landslide, Kennedy clan candidates proved resilient, writes Nancy Durne. Senator Edward Kennedy, the family patriarch, was in danger of losing his Senate seat for the first time since 1962 but ultimately won handily against a young, telegenic political neophyte, Mitt Romney, son of a former Michigan governor and presidential candidate, George Romney.

Senator Kennedy was once hailed by President John Kennedy as the best politician in the family. Now aging and overweight, he rallied former aides and old friends to his standard and mortgaged his house to raise funds.

Four members of the younger Kennedy generation also were in contests. Two ran and won seats in the US House of Representatives - Joseph Kennedy, son of the slain Robert in Massachusetts, and Patrick Kennedy, son of Edward, in Rhode Island. Mark Shriver, son of the first Peace Corps director Sargent Shriver and Eunice Kennedy, won a seat in the Maryland House of Delegates. Kathleen Kennedy Townsend, daughter of Robert, is in a race for Maryland lieutenant governor that yesterday was too close to call.

Win and lose for Bush sons?

The younger generation of Bushes, sons of the former president, had a win and an apparent loss.

In Texas, George W. Bush, the eldest son, felled Governor Ann Richards, who once ridiculed President Bush for having been "born with a silver foot in his mouth." Although a popular incumbent, Ms Richards proved susceptible to a Republican tidal wave powered by promises to reduce taxes and crime. Mr Bush, owner of the Texas Rangers baseball team, won on his first try for office. The attractive, prolific Bush children and grandchildren, played major roles in their father's campaign.

Another Bush son, Job, apparently lost in a very close race against Florida Governor Lawton Chiles. In a long political career, Chiles - a former senator - has never lost a race.

Resurrection for Marion Barry

An amazing political resurrection was achieved by Mr Marion Barry, who regained the Washington DC mayoralty four years after leaving office to serve a six-month prison sentence on drug charges. Widely seen among African-Americans as just one of a series of black public officials targeted by a white prosecutor, he drew support from many middle class blacks, who might otherwise have opposed a disgraced public official. His opponent, Ms Carol Schwartz, turned in a surprisingly strong showing for a white Republican, winning about 44 per cent of the vote in a city that is 10-1 registered Democrats.

Health, gambling and false teeth

Around the country, voters cast ballots on dozens of measures over issues ranging from healthcare to gambling and false teeth.

In Oregon, voters were close to allowing doctors to assist in suicides of the terminally ill. In California, voters rejected a taxpayer-funded state healthcare system and a referendum, backed by the tobacco industry, which would reverse local smoking curbs. Limits on the terms officials can serve passed in five states - Alaska, Idaho, Maine, Nebraska and Nevada. A total of 21 states have now approved congressional term limits, but the initiatives are subject to constitutional challenge in the courts.

Term limits vary from state to state. Colorado limited congressmen to three consecutive terms. Nebraska imposed limits of three consecutive House terms or two consecutive Senate terms. Nevada voters would limit senators to two six-year terms and House members to three two-year terms. Florida voters defeated a proposal to legalise gambling casinos. In Washington state, dental technicians won permission to fit and install false teeth, a right now limited to dentists.

Scramble to get Gatt through

By Nancy Durne in Washington

Mr Newt Gingrich, the new House Speaker-to-be, has promised to work with the Clinton Administration to pass the Uruguay Round implementing legislation when it comes up for Congressional approval in three weeks, according to a senior White House official.

Mr Leon Panetta, White House chief of staff, said in a CNN interview yesterday that passage, the first test of bipartisanship in the new order, would "send a very important signal" which the president could carry into summits with the Pacific Rim countries next

week and Latin American leaders on December 9-10.

However, that signal has yet to be sent directly by Mr Gingrich or Senator Robert Dole, who will become Senate majority leader. Business lobbyists yesterday were scurrying from meeting to meeting planning strategies to secure passage this year. It is the outgoing Democratic-controlled Congress which will vote on the Gatt legislation, but party labels matter little on trade. Populists on both sides of the political divide are opposing the proposed World Trade Organization, which the Uruguay Round creates.

The implementing legislation

is being depicted as "a budget buster," riddled with protectionist clauses and "sweetheart deals." At least \$40bn (\$24.3bn) of the projected lost tariff revenue has not been offset by new taxes or programme cuts. Senate rules require 60 senators to approve a budget waiver before implementing legislation can go to the floor.

Mr Dole is reported to have said he would like the legislation re-written next year, but that was before the mid-term election. He has since made conciliatory noises about bipartisan co-operation.

Mr Mark Anderson, trade specialist at the AFL-CIO, the labour umbrella organisation,

has little doubt that Mr Dole will in the end co-operate with the president on Gatt. "Dole has a long history on free trade. I don't think he'll turn his back on the Business Roundtable or agribusiness."

Opponents are arguing that "the fired and retired" members who return for the "lame duck" session have not the right to vote on an issue of such economic importance as the Gatt package. They are alert for signs of business pay-offs to congressmen and congressional staff in search of new jobs. Pro-Gatt lobbyists believe the election has left members free "to vote their consciences".

Big money still garners the big vote

By George Graham

Money has always talked in US elections, and it spoke as loud as ever this year in the most expensive campaign on record.

With a few notable exceptions, candidates with the most money to pay for television advertising, direct mailing and telephone campaigning won their races, and lobbying groups that helped finance them are looking forward to an open door at their Washington offices.

Republicans won all nine Senate seats left open by retirements, and in seven raised more money than their Democratic opponents. In the two

exceptions, Minnesota and Oklahoma, the fundraising advantage was not crushing. Republicans who unseated incumbent Democratic senators in Tennessee and Pennsylvania also outraised their opponents.

Mr Rick Santorum, in Pennsylvania, drew heavily on the political action committees, or PACs, through which companies and lobbying groups donate to candidates. PACs have in the past heavily favoured incumbents, regardless of party. But Republican leaders have been twisting arms heavily recently, warning lobbyists they would be frozen out if they continued to give to Democrats.

Big winners include the National Rifle Association, which turned its fury on several old allies who had voted for President Bill Clinton's crime bill.

The NRA's most prized trophy would be Congressman Tom Foley, the Speaker, who also voted for the crime bill and who was fighting to survive in Washington state.

Many candidates, however, dipped deep into their own pockets to pay for their campaigns. By the end of October, according to Federal Election Commission returns, Senate candidates had spent more than \$60m (\$30.4m) of their own money. Half of that came

from Mr Michael Huffington, who took his Texas oil fortune to California to run against Senator Dianne Feinstein. He lost, but the \$35m he spent took him close to uprooting a popular and effective senator, despite his non-existent record of achievement, vague political views and employment of an illegal alien as his nanny.

Ms Feinstein had to spend \$235m of her own but mostly raised money from PACs.

One oddity was Mr Oliver North, controversial former marine who lost his bid to oust Senator Charles Robb in Virginia. Mr North raised more than \$15m, four times as much as Mr Robb.

Southerners have previously said that they would 'rather vote for a yellow dog' than a Republican

South becomes cornerstone of House takeover

By George Graham

The cornerstones of the Republican takeover of the House of Representatives was a sweeping change in the southern US.

Ever since the Civil War, the South has traditionally shunned President Abraham Lincoln's Republican party. Most southerners said they would "rather vote for a yellow dog" than a Republican.

Southern Democrats stood far to the right of their northern colleagues in their political views, blending social conservatism with heavy pork barrel spending.

Since the 1960s, when the Democrats became more closely identified with the fight for black civil rights, the Republicans have made inroads in the Deep South and the border states

such as Kentucky and Missouri.

They started with presidential elections, in which southern states have generally favoured Republican candidates from Senator Barry Goldwater onwards, and continued in statewide elections for governor and senator.

That trend carried on in Tuesday's elections, with Republican candidates taking over as governors in Alabama, Tennessee, Kansas, and with both Tennessee Senate seats moving into the Republican column. Tennessee's new governor is the first the state has ever elected who was born north of the Mason-Dixon line, the traditional divide between North and South.

Perhaps as telling, the Republicans were able to hold on to the governorship of South Carolina, though by the narrowest of margins, even though

their candidate, Mr David Beasley, aroused hostility with radical right-wing positions backed by a Christian evangelical coalition.

One rare success for the Democrats was Governor Zell Miller's successful campaign for re-election in Georgia, defeating the strongest challenge the Republicans have mounted in that state since the Civil War.

But Republicans have in the past found it much more difficult to make headway at the local level, leaving the Democrats dominant in the House of Representatives, as well as in state legislatures and county courthouses.

"Used to be, if you wanted to win, you ran in the Democratic primary," says Mr Bernie Castleman, who is the only Republican commissioner elected in his Tennessee county in the last hundred years.

That began to change in this elec-

tion. Helped by the retirement of old Democratic legislators such as Congressman Jamie Whitten of Mississippi, the Republicans gained 11 House seats in five deep South states, three more in Oklahoma, two in Texas and one each in Tennessee and Kansas.

The biggest swing came in North Carolina, where the cigarette tax proposed in President Bill Clinton's healthcare reform plan added to the Democrats' problems in tobacco-growing districts.

North Carolina also provided perhaps the most striking evidence of a lasting change in the South's party alignment: a Republican takeover of the state house and Senate - the first time this century that they have controlled a state legislature in the South. They also won control of the Florida Senate.

Many southern Democrats have voting records in Congress that are closer to the Republicans than to the rest of the Democratic party, and some are expected to follow Senator Richard Shelby of Alabama's party switch yesterday. Congressman Newt Gingrich has warned that the Republicans will target conservative southerners who do not switch sides in the 1996 election.

And with the "yellow dog Democrats" stranglehold broken, new candidates will feel in years to come that they can run as Republicans and have a good chance of winning.

Southern Democrats are now as likely to be relatively leftwing black or Hispanic politicians as conservative "boll weevils".

The South's realignment could also move the Democratic party further to the left.

NEWS: US MID-TERM ELECTIONS

Big Apple fails to save political giant

By Richard Waters and Patrick Harrington in New York

New York city turned out in force on Tuesday to vote for Mr Mario Cuomo, the state's governor for the past 12 years and a giant on the national political stage. The trouble for city dwellers was, the rest of the state did not.

The narrow vote which ousted the 62-year-old Mr Cuomo installing in his place Mr George Pataki, a little-known Republican, revealed a stark division between voters in the city and those in the suburbs and upstate New York than at any of the previous three elections, all of which Mr Cuomo won.

It also threatens to usher in a turbulent period in relations between state and city in New York - and a degree of animosity that could turn the city's current budgetary problems into a bigger headache. The reasons for Mr Cuomo's defeat are not difficult to identify. "The New York economy has dramatically lagged behind the national recovery," says Mr David Schulman, an economist at Salomon Brothers in Manhattan. "And Cuomo has been around too long."

The second consideration

was probably the strongest in bringing to a halt one of the most prominent liberal Democratic political careers in the US.

Mr Cuomo's accomplished oratory and political skills finally wore thin with an electorate which has failed to see

The question now is whether the victor will take revenge on New York

clear signs of improvement after the last recession.

Mr Cuomo twice came close to seeking the Democratic nomination for president, most recently in 1992. He was also offered, but turned down, a seat on the US Supreme Court last year. Mr Pataki, meanwhile, benefited from not being Mr Cuomo.

A former mayor of the small town of Peekskill, he is less well known than his political godfather, Senator Alfonse D'Amato. The New York Republican senator single-handedly pulled Mr Pataki from obscurity when he threw

his weight behind the state senator earlier this year.

Otherwise, the new governor has preached a bland and generally vague mix of policies during his campaign. He has pledged to champion the reintroduction of the death penalty in New York, build more prisons and reduce taxes. As a tax-cutting Roman Catholic from the prosperous Westchester suburbs, Mr Pataki is not the sort of person most likely to appeal to city dwellers.

Adding to the city's anxiety was the decision by its Republican mayor, Mr Rudolph Giuliani, two weeks ago to cross party lines and back Mr Cuomo's campaign. Mr Giuliani and Mr D'Amato are old rivals.

The question now is whether Mr Pataki and his political mentor will take their revenge.

Mr Lewis Lehrman, a New York businessman who ran against Mr Cuomo in an earlier gubernatorial election, says that the city could suffer from Mr Giuliani's endorsement.

"New York city has been subsidised by the taxpayers of upstate New York for generations. While that will not entirely be reversed, growth of those subsidies should end."

At the very least, it will make life difficult for Mr Giuliani



Political retreat: Mario Cuomo bows out as New York's state governor after 12 years in office

as he grapples with a budget deficit that is expected to top \$10m (\$600m) in each of the next two years.

"It's likely to make the city's budgetary problems more difficult to deal with," says Mr

Felix Rohatyn, a senior partner at Lazard Frères.

Around two thirds of the state's budget goes to local governments in the form of aid, roughly half to New York city. If Mr Pataki pushes ahead

and cuts the state's top income tax rate, says Mr Rohatyn, it will add \$500m a year to the city's deficit. "It could be detrimental to its businesses, and drive more people away from the city," he says.

AMERICAN NEWS DIGEST

Chile inflation at annual 8.3%

Chile will have single digit inflation this year for only the second time in 30 years. Mr Eduardo Aninat, finance minister, said in London yesterday that restrictive economic policies had brought inflation down to an annual 8.3 per cent, from 13.7 per cent when the government took over in March. The government's 1994 target of 10-11 per cent would be undershot, and the 1995 target might have to be revised downwards.

Chile had single digit annual inflation for a single year in 1980 but the exchange rate policy that brought it about was unsustainable. The previous year of single digit inflation was 1961. Growth this year will slow to 4.3 per cent - with consumer expenditures slowing - but should expand to more than 6 per cent next year. Next year's overall budget surplus should be about 1 per cent, compared with 2 per cent this year. Last year's trade deficit of \$974m (\$593.9m) will become a surplus this year of about \$200m, helped by price increases for exports and a 10-12 per cent growth in export volumes. *Stephen Fidler, Latin America Editor*

Brazilian rivals band together

Mr Fernando Henrique Cardoso, Brazil's president-elect, yesterday became actively involved in campaigning for next week's elections for state governors. But instead of backing politicians from his own party, he was giving support to a candidate from the left-wing Workers party (PT), his main opponents in last month's presidential poll. Mr Cardoso's meeting with Mr Vitor Basilio, the PT's candidate for governor in the southern state of Espirito Santo, was prompted by shared concern about the increasing popularity for the other candidate, Mr Dejalir Camata, a far-right protest candidate who has pledged to wipe out crime. Mr Camata is a former police corporal who, has pledged to erase crime in Espirito Santo and, if elected, would give criminals 24 hours to flee the state. According to opinion polls these types of populist promises are winning over the voters. *Angus Foster, São Paulo*

Sotheby's sale raises \$26m

Sotheby's sale of Impressionist and modern art in New York on Tuesday night brought in \$25.5m and was almost 78 per cent sold by value. All the important works on offer, including one of Modigliani's last portraits, of his mistress Jeanne Hébuterne, found buyers, but there was little interest in the second rate. Seventeen of the 46 lots were unsold. The Modigliani sold for \$5.94m, just under its estimate. "Femme dans la nuit", painted in 1945 by Joan Miro, was also slightly below forecast, selling for \$3.03m. In 1986 Sotheby's sold the same painting for \$2.5m. A drawing by Van Gogh, "Wheat Field with Sheaves", copied from one of his oils, was just on target at \$2.09m. There was little interest in Picasso, with only two of six paintings by him finding buyers. *Anthony Thornecraft*

Congress endorses Zedillo

Mexico's Congress formally appointed Mr Ernesto Zedillo president-elect yesterday, preparing the way for his assumption of power on December 1. After long and tense negotiations, the centre-right National Action party (PAN) finally abstained and the centre-left Democratic Revolutionary party voted against ratifying the presidential election. PAN said the election had not been fair and just, and thus could not endorse the result. The leftist PRD said the election was invalidated by widespread fraud. *Damian Fraser, Mexico City*

California goes from ballot box to courtroom

By Jurek Martin in Washington

The action moved from the ballot box to the courtroom yesterday as lawsuits were filed in California to invalidate the electorate's approval of the referendum denying social services to illegal immigrants.

The measure, known as Proposition 187, passed easily, by 59-41 per cent. This was pretty close to the margins it commanded in public opinion polls when it first qualified for the ballot in the summer and much bigger than projected in surveys just before election day.

Strength of support for the Proposition was clearly a contributory factor in the easy re-election of Governor Pete Wilson over Democratic contender Ms Kathleen Brown and to the narrowness of the defeat of Republi-

can Congressman Michael Huffington by Senator Dianne Feinstein.

Both Republican candidates had been vocal advocates in favour and both Democrats against. It also helped the re-election on Tuesday of Mr Dan Lungren, the Republican state attorney general, who only came out in support on Monday.

The proposition's passage also prompted an angry response from the Mexican government yesterday. A foreign ministry statement condemned "all open and undercover forms of discrimination and any xenophobic practices".

Legal challenges to its constitutionality and legality derive from its two principal clauses - the denial of education and non-emergency healthcare to illegal immigrants and the obligation on teachers, doctors and hospi-

itals to report to the federal government any individual suspected of illegal status.

Mr Demetrios Papademetriou, an immigration expert at the Carnegie Endowment in Washington, who has helped prepare one legal challenge, said the suit was "very broad" and based on the contention that the proposition would not accomplish what it claimed to do - force the repatriation of the estimated 1.6m illegal immigrants in California.

He predicted that the state legal processes could be finished "quite quickly", though an ultimate judgment by the US Supreme Court, which would take much longer, is considered likely. Mr Papademetriou described Proposition 187 as "a nasty primal scream".

A Supreme Court ruling in 1982,

Plyler v Doe, found that the 14th "equal protection" amendment to the US constitution prohibited a state from denying admission to schools to any child living within its borders. Federal education law also requires that government funds be withdrawn whenever confidential information is revealed without consent of parents.

A problem still to be addressed in the lawsuits is the consequences of forcing out of school the estimated 300,000 sons and daughters of illegal immigrants in California. Opponents of the proposition argued that this was certain to contribute to increased juvenile delinquency.

Governor Wilson has already conceded the inevitability of lawsuits and Mr Lungren last week said he would defend the proposition in court because he was obliged by his office

so to do. But he added that he lacked the authority to prosecute teaching and medical professionals accused of not informing on illegal immigrants.

Mr Wilson, along with some other governors from states with high levels of immigration, has already sued Washington to require the federal government to cover state expenditure on the health, welfare and education services provided to not only illegal immigrants but also a new flood of refugees and asylum seekers.

The principal immigrant recipient states, after California, are Florida, Texas, New York, New Jersey, Illinois and Arizona. Only in Florida has political controversy remotely comparable to that in California been evident, a reflection in part of different economic conditions and political traditions.



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Demirel raises stakes in tense regional game

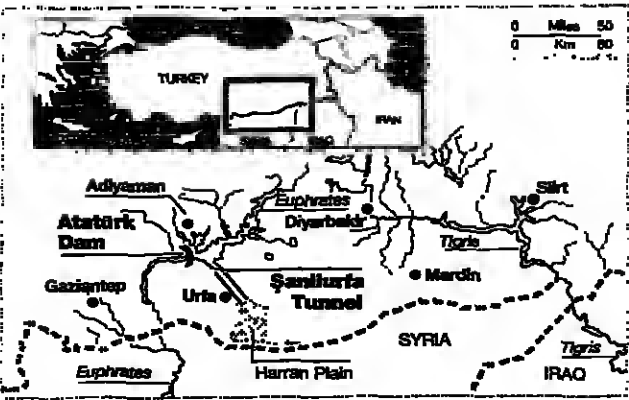
Project means Turkish hand on Syrian and Iraqi water supply, writes John Barham

When Turkey's President Süleyman Demirel inaugurated a key new stage in the country's gigantic hydroelectric and irrigation project yesterday, he also raised the stakes in an increasingly tense game of regional power politics.

Turkey is water-rich, but its Arab neighbours are desperately short of it; strategists warn that the question of water is becoming a more explosive Middle East issue than that of oil.

The South-east Anatolia Project, known by its Turkish acronym GAP, is a complex of 22 dams on the Euphrates and Tigris rivers. As well as developing a remote and neglected corner of Turkey, it also represents a Turkish hand on the water supply of Syria and Iraq.

With yesterday's inauguration of the first stage of the 26.4km Şanlıurfa irrigation tunnel, 20 cu m a second of water will begin flowing from the huge Atatürk Dam through a mountain range to the arid Harran Plain to irrigate nearly



500,000 hectares of land. GAP is a dream come true for Mr Demirel, a hydrological engineer called the "king of dams" and one of the project's prime movers in the 1960s. GAP's huge size (the Atatürk Dam is the world's fifth largest and the Şanlıurfa tunnel is the longest of its kind) is a potent affirmation of national pride.

Mr Demirel said at yesterday's ceremony attended by 2,000 people: "We have many

more projects [for the region]. We now know that we are able to carry them out alone." GAP is being designed and built almost entirely by Turkish companies. Turkey is also financing most of the \$32bn (\$20bn) cost alone, since multilateral lenders refused to support the project. Still, the GAP project is expected to add more than \$1bn a year to Turkey's \$170bn GDP.

Once it is fully operational

early in the next century, GAP will irrigate land twice the area of Belgium. The Harran Plain, site of some of the earliest civilisations, has fertile soils but lacks abundant water. Critics complain the project will increase the power of feudal landlords, and fear the government is underestimating its environmental costs. Further, water running off the plain into tributaries is likely to become polluted with pesticides, fertilisers and salts and become unsuitable for use further downstream.

The plain will produce cash crops such as cotton and soybeans. They will be processed in nearby cities, creating jobs and raising incomes for the country's most depressed region. Officials hope it will bring stability to a region wracked by 10 years of fighting between government forces and guerrillas of the separatist Kurdistan Workers' party (PKK).

But for Syria and Iraq, which depend heavily on the Euphrates, GAP is a nightmare. Each

cubic metre of water poured on to the Harran Plain represents a roughly equal reduction in the Euphrates' flow.

Before the first dams were completed in the late 1980s, the Euphrates carried 856m cu m of water across the Syrian border every second. In 1987 Turkey promised Syria a stable flow of 500 cu m a second. If worst-case scenarios are borne out, pre-GAP flows further downstream into Iraq could be cut by more than 80 per cent in the next 40 years.

Turkey gave Syria and Iraq no role in GAP's development and has never reached an agreement with them over sharing the waters of the Euphrates and Tigris. International leaders such as the World Bank refuse to back GAP. Thus, Turkey has had to postpone or scale back projects. Building GAP is straining government finances and fueling inflation of more than 100 per cent.

Syria is not satisfied with Turkey's unilateral 1987 commitment to supply 500 cu m of

water a second. It has chosen to press Ankara for a water deal by supporting the PKK. Turkish security forces are spending more than \$7bn a year to fight the PKK in the Kurdish south-east.

Mr Dogal Ergil, a political scientist at Ankara University and adviser to the GAP administration, says: "Turkey proposed a philosophy of mutual use, to consume water where there is less evaporation and cultivate land where the soils are most fertile, and share the fruits."

But "our neighbours are dictators and it is not in the nature of dictatorships to cooperate."

Optimists hope water may yet bring peace rather than conflict. Already GAP is shifting the region's strategic balance towards Turkey. But like many Turkish officials, Mr Ergil strenuously denies GAP is anything more than a development project. "Turkey has never thought of using it as an instrument to manipulate our southern neighbours."

INTERNATIONAL NEWS DIGEST

OECD growth rate edges up

Economic growth in the 25 member countries of the Organisation for Economic Co-operation and Development this year is expected to be slightly higher than the 2.6 per cent increase in gross domestic product forecast in July, according to officials at the organisation. Mr Tsutomu Tanaka, vice chairman of the OECD's economic policy committee, said OECD economic developments had been generally favourable. He declined to make a new forecast, but said growth was expected to edge up to 2.7 per cent. For 1995 and 1996, Mr Tanaka said growth would be about 3 per cent.

The improved outlook partly reflects a stronger performance in continental Europe. "The recovery has picked up and is now better established," said Mr Tanaka. The Japanese economy is also reviving, albeit slowly, the OECD said. The trend partly reflects maintained easy monetary conditions and a series of short-term fiscal stimuli.

In the US, however, the pace of expansion has slowed, according to the economic policy committee. But it said that this was appropriate given the risk of overheating and the general desire to see a sustained expansion of output and employment. John Ridding, Paris

Japanese bonuses increased

Japan's leading electronics companies yesterday said they would increase workers' bonuses for the first time in four years, a good sign for consumer spending. Other sectors are unlikely to follow suit this year because they have done less well than electronics groups. Yet the bonus rise indicates that the traditional link between workers' incomes and corporate profits has survived the rigours of recession. That bodes well for consumption once the nascent profits recovery has had time to spread, economists say.

Trade unions at the top 17 electronics groups said yesterday they had accepted six-monthly bonuses averaging 5.06 months' basic salary for this winter and next summer, up from last year's five months' bonus. William Dawkins, Tokyo

Iranian jets raid Kurds in Iraq

Iran said its fighter aircraft had raided guerrilla bases in Iraq yesterday. An Iranian Kurdish rebel party said one of its camps inside a western no-fly zone in Iraqi Kurdistan was pounded by Iranian jets. Four Iranian fighters "severely wounded" a base of the Democratic Party of Iranian Kurdistan in Koi Sanjaq, 60km from the border, killing a woman resident of the town and wounding three people, the party said in a statement. On Sunday Iran fired at least three Scud missiles at the main base of the Mujahideen Khalq opposition group 80km inside Iraq. Reuters, Moscow

Mitsubishi extortion arrests

Police arrested eight people yesterday for allegedly trying to extort money from Mitsubishi Heavy Industries with threats to expose company secrets. Police did not say how much the eight allegedly demanded from the big Japanese heavy machinery maker, which refused to pay. The eight first approached the company in November 1991, threatening to make public what they said were company documents on bid-rigging, police added. AP, Tokyo

Hong Kong to boost car taxes

Hong Kong aims to tax vehicle owners to avert total gridlock, government officials said yesterday. Proposals released by the government for public comment include increasing the tax on new cars to 70 per cent of the car's total value from 40-60 per cent now, and raising annual licence fees by 40 per cent. Access to tunnels could be restricted to odd or even numbered plates on alternate days. Quotas for new private cars and removal of tax benefits on company cars are also being considered. The government proposes eventually to introduce electronic road pricing in which car-owners pay according to how far their cars travel. Reuters, Hong Kong

■ South Africa's all-commodities producer price index rose 0.3 per cent in September from August after rising 1.4 per cent in August, Central Statistical Service figures show. The year-on-year rise in September was 10.1 per cent after a 9.9 per cent rise in August. Reuters, Johannesburg

■ The Philippine central bank cut its preferential lending rate given to exporters and small-scale industries to 8.304 per cent from 9.4 per cent under its rediscount window facility. Reuters, Manila

■ Taiwan's defence ministry proposed a record military budget for the 1995-96 fiscal year of T\$271.9bn (US\$10.7bn) up from a revised T\$252.2bn this fiscal year. Reuters, Taipei

■ International aid donors yesterday pledged to give Mongolia \$210m in 1995 to help it make the transition to a market economy, Japan's foreign ministry said. Reuters, Tokyo

African peacekeeping force 'has moved nearer'

By David Buchanan in Biarritz

President François Mitterrand claimed yesterday the idea of an inter-African peacekeeping force to intervene in future Rwanda-style crises had "advanced" at the Franco-African summit in Biarritz, adding France would ask other European countries to join it in providing help.

But not all the 35 African

leaders present favoured or promised to take part in such a force, and most backers of the idea said it depended crucially on non-African assistance.

"This pan-African structure of 'blue helmets' will only be really operational if France and other friendly countries give us their logistic support," President Gnassingbe Eyadema of Togo said.

The French president stoutly

defended his often-controversial Africa policy at a summit dominated by discussion of the Rwandan bloodshed and its consequences, hint to which Paris had not invited Rwanda's new leaders.

President Mobutu Sese Seko of Zaïre was one of those who criticised France for excluding Rwanda, though the Zaïrean leader's own presence in France, which has denied him

a visa for the past few years because of his human rights record at home, stirred a separate controversy.

President Mitterrand vanned France's record of economic help to Africa before and after last January's devaluation of the French African franc (CFA), and of security assistance, especially French troops' intervention in this summer's Rwandan civil war.

Mr Mitterrand and Prime Minister Edouard Balladur want to avoid repeating France's painful exposure in its Operation Turquoise in Rwanda, at the start of which more than 2,000 French troops were joined only by 250 Senegalese. President Sylvestre Ntibantunganya of Burundi, which faces the same ethnic tensions as Rwanda, made clear he would prefer diplo-

matic help rather than military intervention.

The French president said the summit participants had agreed on "certain general principles" that an African intervention force would be under "collective command, acting under the aegis of the UN or the Organisation of African Unity". But some leaders appeared divided on the issue of who should take part.

President Omar Bongo of Gabon said Rwanda had given urgency to discussion of an African force, but talks should first take place among French-speaking countries. President Blaise Compaore of Burkina Faso said that discussing security in west Africa made no sense without English-speaking Nigeria or Ghana.

French leaders are keen for the widest possible participation in an intervention force to avoid accusations of neo-colonialism. But Vice-President Thabo Mbeki of South Africa, which along with Zimbabwe, Ethiopia and Eritrea was represented at the biennial summit for the first time, indicated his new government would not take part in any force, even though its army is the continent's most powerful.

Mr Mitterrand, who said he hoped several European countries would join France in providing logistic support to an African force, is to meet Mr John Major, UK prime minister, in next week's Franco-British summit in Châtelain.

President Bongo said yesterday he had been one of the strongest opponents of the CFA devaluation, but now conceded it was necessary and was benefiting most of the 14 economies concerned. He urged Africa's creditors to forgive more of the continent's debts.

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مكتبة النجف

EU signs \$124m aid and loans package with Palestinians

By Julian O'Connell in Jerusalem

The European Union yesterday signed an agreement with Palestinians for aid and loans worth up to \$124m (\$77m) in 1995 and strongly defended its record on assistance to Palestinians.

Mr Juan Prat, European Commission director general, who signed the agreement in Gaza with Mr Yasser Arafat, chairman of the Palestin-

ian self-rule authority, also warned the EU would not fund Palestinian running costs after June next year.

Mr Prat said the EU was doing as much as it could to help Palestinians and rejected criticisms that the EU was slow in disbursing funds. He said the EU had spent \$61m this year and made grants worth \$1.1bn since 1987 in development assistance and

support to Palestinian refugees.

"There is no way anybody can say we are promising and not doing," he said. "The community is doing everything it promised. The delays could be six weeks or one month - little things of cash flow - but what we have offered is happening."

The EU is the biggest single donor to Palestinians and the 1995 aid package is part of the EU's

\$620m five year programme of grants and loans from the European Investment Bank. Among projects supported by the EU are paying salaries of the 10,800 Palestinian policemen; a \$60m project to build 1,200 housing units; construction of a 220 bed hospital; upgrading of the sewage and solid waste systems and funding Palestinian universities and colleges.

Mr Prat said donors faced a

dilemma. While they wanted to fund visible projects that immediately demonstrated to Palestinians that peace brought concrete changes in living standards they were being forced to fund salaries and running costs. At least half of EU grants worth \$62m in 1995 will go to pay salaries of policemen and university teachers.

"What can we do. They have a budget and they have a deficit and

if they cannot fund their budget everything is going to collapse," he said. "I understand people in Gaza are impatient but things can't happen overnight."

Donors are increasingly frustrated about having to fund Palestinian running costs rather than actual projects. Until Israel hands over the West Bank, which has a much larger revenue base than Palestinian controlled Gaza-Jericho,

donors are being asked to finance a growing budget deficit.

The handover of the West Bank is at least nine months behind schedule.

"We want a balance between tax and revenues by June 1995 and we hope their talks will progress so that everything which has to be transferred to the Palestinians is transferred according to their agreements."

Summit light spills over on to East Timor

Indonesia is braced for world attention on its annexed territory, writes Manuela Saragosa

On All Souls Day at the Santa Cruz cemetery in the East Timor capital of Dili last week, people paid tribute, in the Roman Catholic tradition, to their deceased family and friends. Near the chapel a large group gathered and, led by a local priest, remembered up to 200 independence demonstrators who were massacred there by Indonesian soldiers three years ago.

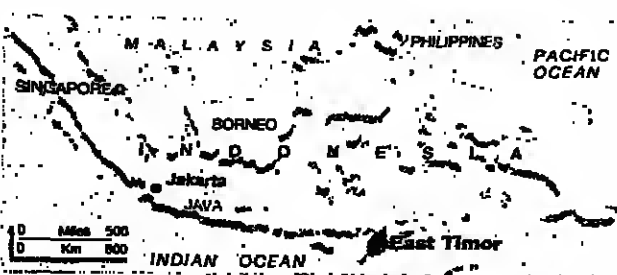
Further recollections of the massacre, official admission of which was slow to emerge at the time, are the sort of thing the Indonesian government hopes will not take the gloss off its hosting of the Asia Pacific Economic Co-operation summit next week.

President Suharto's government, notoriously sensitive about its annexation of the former Portuguese colony it invaded in 1975, is hoping to win new international respect from the summit, due to be attended by representatives of 17 governments.

However, US President Bill Clinton and others will be under pressure to raise human rights issues at the summit, and at least some attention is bound to be focused on East Timor.

East Timor was abandoned by its colonial administrators in 1975 when the region was plunged into civil war. Indonesia invaded because, the government claims, the civil war in the territory, which borders Indonesian West Timor, threatened seriously to disrupt the national development and reconstruction efforts in which Indonesia was engaged.

East Timor was declared



Indonesia's 27th province in 1976, defying resolutions passed by the United Nations which does not recognise Jakarta's sovereignty over the territory.

Sensitive to foreign criticism, Indonesian officials are keen to point out that the region receives more government development funds, per head, than any other. Under Portuguese rule the region's infrastructure and facilities were negligible. Today there are schools, a university, roads, bridges, health clinics, telecommunications facilities and electricity. Water supply is still a problem.

However, says an East Timorese professional, "we never cried for development. We cried for freedom."

Freedom is not on offer - a referendum is ruled out - but

the Indonesian government has taken some steps to find a solution. Mr Ali Alatas, foreign minister, met earlier this year in New York, under United Nations auspices, with the leader-in-exile of the Fretilin independence group, Mr Ramos Horta, and with Mr Abilio Araujo, another former leader-in-exile who was ousted from the exiled movement by opponents last year.

More recently President Suharto announced he would meet Mr Araujo although they would not discuss the status of the territory.

There has also been talk of granting autonomy or special status to East Timor but it is not clear what this means and statements have been non-committal. East Timorese are quick to point out that the north Sumatran province of

Aceh and the sultanate of Yogyakarta in central Java are also accorded special status, but that this has not made any difference to the way the regions are governed.

Meanwhile, the military makes clear it has no plans to leave. "If we leave there will be more conflict," says East Timor's military commander, Col Kiki Syahnakri. However, he claims the number of armed guerrillas is dwindling - there are only 188 poorly-equipped Fretilin fighters left in the mountains, he says.

One East Timorese official says rape and murder by the military and police are daily occurrences in many parts of the region. Many of these cases, he says, go unreported and the perpetrators are not brought to trial. "We are really suffering here," he says.

Clashes between mainly Moslem Indonesians, who are given incentives to move to East Timor, and Roman Catholic East Timorese are common. Recently two army officers were found guilty by a military court of desecrating the sacrament in a Catholic church and discharged.

The animosity is made worse by rising unemployment. The East Timor Provincial Capital Investment Co-ordinating Board says there were 16,508 unemployed people in the province in August 1993, but independent sources say the figure is much higher. There are complaints that all the best jobs go to outsiders. East Timorese say that they have little control over their region's economy. The plantation and processing of coffee, the main cash crop, is dominated by the military although a monopoly on production was lifted earlier this year.

Indonesian rule has increased the level of distrust among the population. Plainclothed intelligence officers are ubiquitous. "I don't even know whether my brother or sister is spying on me," says an East Timorese professional who complains that Indonesian rule has sowed an atmosphere of fear among the population.

In the absence of a referendum, and with a continuing large military presence in East Timor, Indonesia's rule in the region will continue to attract criticism from the international community. The Apec summit next week is likely to be seen by some as an occasion for that criticism to be loudly voiced.

Indosat sold 25 per cent of its shares in New York and 10 per cent on the Jakarta and Surabaya stock exchanges. Merrill Lynch was the global underwriter for the offering, while Danareksa Sekuritas underwrote the domestic share sale.

market. "Long-term, this is exactly what the Jakarta market needs, to have more large blue-chip companies," said Mr David Ostoby, research director at Asia Equity Jaserah. "The size of their cash call may have a short-term depressing effect, but it will simply be a case of short-term pain for long-term gain."

Mr Muhammad's planned privatisations follow the flotation of shares in Indosat, Indonesia's telecom satellite enterprise, on the New York Stock Exchange last month which raised at least \$800m for the Indonesian government.

Indosat sold 25 per cent of its shares in New York and 10 per cent on the Jakarta and Surabaya stock exchanges. Merrill Lynch was the global underwriter for the offering, while Danareksa Sekuritas underwrote the domestic share sale.

Hanoi set for \$2bn pledges in foreign aid

By Victor Mallet in Hanoi

Vietnam is likely to receive pledges of some \$2bn (\$1.2bn) in foreign aid at a donors' meeting in Paris next week and wants about \$100m by the end of the decade to fund its economic reform programme, Vietnamese government officials and foreign donors say.

Both sides are confident the "consultative group" of 18 countries and 15 international organisations, chaired by the World Bank on Tuesday and Wednesday, will at least match the \$1.86bn pledged at the first such meeting last year. Japan is again expected to be the biggest bilateral donor.

Donors are pleased by Vietnam's performance as it moves from a centrally planned to a market economy with annual growth rates in excess of 8 per cent, but they are also concerned by delays in implementation of aid projects. The UN says that only an estimated \$300m in aid has been disbursed this year.

"The most important issue will be how to use ODA [official development assistance] in Vietnam, not how to attract ODA," said Mr Do Duc Dinh, a Vietnamese economist.

One reason for slow disbursement is that much of the aid is directed at big infrastructure projects involving roads and ports, for example, which take many months to implement. Some delays are

caused by a cumbersome bureaucracy slow to adopt free market policies.

"With the actual disbursements of ODA, things are not flowing as freely as we would have hoped," said Mr Roy Morey, representative in Vietnam for the UN Development Programme. "The institutional apparatus is the same as the country has had for 25 years, and there's a kind of lag between policy formulation and policy implementation."

In its latest report on Vietnam, the World Bank urges Hanoi to scrap central control of decision making (on the grounds that this causes bottlenecks and encourages corruption in an increasingly complex economy). It also decentralising some tax and investment decisions to local authorities.

The World Bank admits this suggestion is controversial (local Communist party authorities in some areas are accused of rampant corruption) but believes it would allow the government to take on its proper role of establishing an economic framework within which individuals and companies could work.

Vietnam is moving from relatively easy price liberalisation to more difficult structural reforms, such as restructuring state-owned banks, privatising public companies, and streamlining the trade regime," the World Bank report says.

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NEWS: WORLD TRADE

Apec: future global powerhouse or mere talking shop?

When the Asia-Pacific Economic Co-operation forum held its first annual summit in Seattle a year ago, a curious European Commission asked to send observers. The request was rejected. "The reason was simple," says one Asian diplomat. "We didn't want them to discover there was nothing to discover."

As ministers of Apec's 17 governments meet in Jakarta today to prepare for next Tuesday's summit, the stakes look much higher. The summit poses a stiff test of their political will to give substance to a grouping which has so far been long on visionary statements but short on concrete decisions.

Optimists hope the five-year-old Apec will set out to become a global economic powerhouse by agreeing a long-term timetable for freeing all trade and investment flows in a region which extends from Labrador to Singapore.

Apec's members include some of the world's fastest-growing economies and account for roughly half its total gross domestic product and international trade. But there are wide disparities between individual countries' levels of economic development and their views on Apec's role. Bilateral relations between some of them are acutely strained - most notably by US trade conflicts with China and Japan and by Washington's criticisms of Indonesia's human rights record.

If these tensions bubble up into acrimonious disputes in Jakarta, they risk scuppering the search for harmony and

casting shadows over Apec's future. The starting point for the talks is an ambitious blueprint drafted by an eminent persons' group, chaired by Dr Fred Bergsten, head of the Washington-based Institute for International Economics.

It proposes that all trade barriers in Apec be abolished by 2020, and by 2010 in the case of industrialised countries. Other blocs, such as the European Union, would be invited to make reciprocal concessions in a move to force the pace of multilateral trade liberalisation.

Guy de Jonquieres and Peter Montagnon on the choice facing Asia Pacific nations

The plan's most enthusiastic supporters are Australia, which is eager to stress its Asian credentials, and Indonesia. President Suharto views the summit as a chance to set his seal on history and wants an even earlier deadline for Apec free trade.

At the other extreme, Malaysia remains sceptical of the value of Apec and continues to press for a rival East Asian Economic Caucus to counter western economic domination. Still, Dr Mahathir Mohamad, Malaysia's prime minister, who boycotted the Seattle meeting, plans to attend this summit, and President Suharto may yet persuade him to tone down his opposition.

Much the biggest uncertainties concern China and the US.

The former, long lukewarm about Apec, has threatened to block progress unless Washington softens its line on Beijing's application to join the new World Trade Organisation in January. Ms Wu Yi, China's trade minister, is expected to step up the pressure when she meets Mr Mickey Kantor, President Clinton's chief trade negotiator, in Jakarta on Saturday.

However, Beijing may be over-estimating Apec's importance as a bargaining chip with Washington. Much has changed since President Bill Clinton talked up Apec's future

at last year's summit, in the belief that a united stand by Pacific Rim countries would induce the EU to give ground in the stalled Uruguay Round trade talks.

Today, with prospects for congressional ratification of the Round on a knife edge, the administration's priorities are reversed. It seems decidedly wary of any trade initiatives which could fuel domestic opposition to the Round.

President Clinton's position has been further undermined by the Democrats' loss of control of both houses of Congress in Tuesday's mid-term elections.

He may therefore be hard-pressed to offer any immediate concessions on China's WTO entry, or to back any Apec

decision which committed the US to lowering its trade barriers substantially.

"Mr Clinton wants a big public relations success in Jakarta which ties his hands as little as possible," says a US trade policy expert.

Though Apec leaders may agree a long-term commitment to liberalisation, he thinks they may endorse only uncontroversial proposals in areas such as customs procedures, standards and voluntary investment principles.

Mr Kim Chul-su, South Korea's trade minister, also doubts the summit will set a binding timetable for liberalisation and says such an agreement may take at least a further year to achieve.

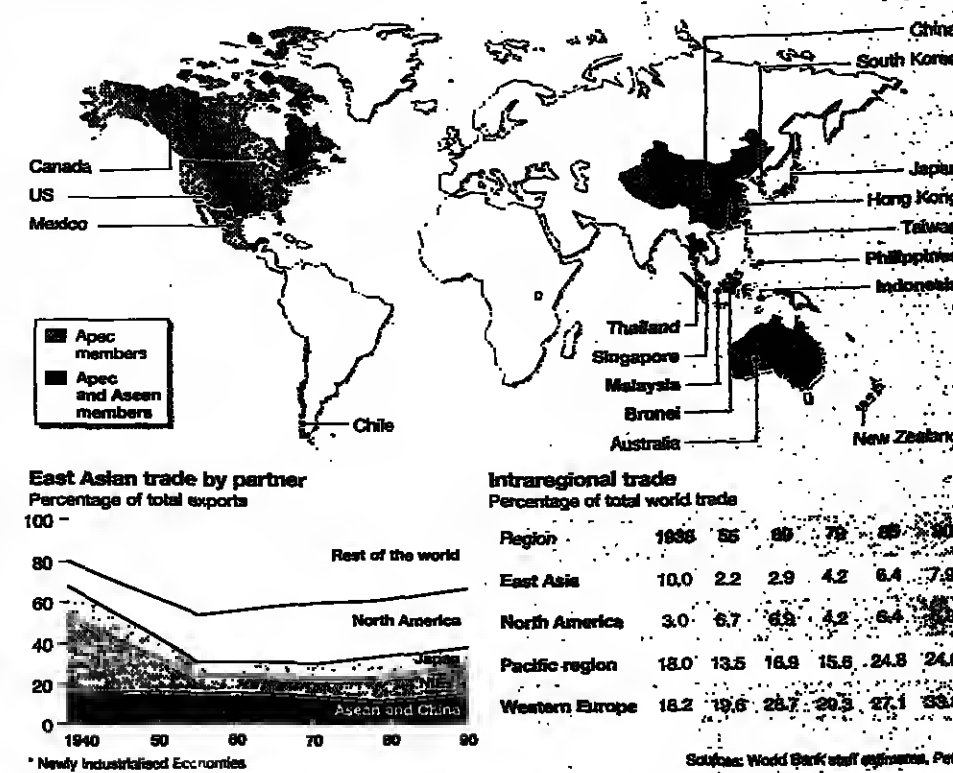
Such an anodyne outcome need not constitute complete failure in the eyes of Apec's Asian members. Many see the grouping less as a forum for sweeping policy decisions than as a channel for informal dialogue, particularly with the US, their largest final market.

Most would resist any attempt to turn Apec into a formal institution. They fear such a step could threaten the future primacy of the WTO and encourage the US to use Apec as a club to force them into making trade concessions.

Many Asian countries also want to push ahead with efforts to free trade within Asia before embarking on any programme involving Washington.

Some observers believe little progress in Apec is likely until the recent decision by the six-member Association of South East Asian Nations to try to revive plans for an Asian free

Apec and world trade



trade area has borne fruit.

Though the plans remain tentative and face big hurdles, Mr Chuan Leekpai, Thailand's prime minister, says Apec is "a looser form of grouping with less depth" than Asean. In his view, Apec's main contribution to trade liberalisation will be to encourage efforts under way in other forums, rather than to launch substantive programmes of its own.

Ambivalence also runs deep

in Japan. Though the government appears ready to back a summit declaration endorsing broad free-trade principles, Tokyo wants to avoid any decisions which could force it to choose between its allegiances to Asia and to the US.

Some Apec members have questioned the value of any declaration which does not bind governments to at least some concrete action. But even if the summit endorsed a

long-term liberalisation programme, implementation would still require complex negotiations.

These would have to overcome fundamental conceptual differences between Apec's members, which even the carefully-drafted Bergsten report fails to hide.

The report is riddled with contradictions, says Dr Young Soogil, a leading South Korean trade economist.

Gatt chief ready for caretaker WTO role

By Frances Williams in Geneva

With the contest for the top job at the future World Trade Organisation effectively deadlocked, Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role until his term ends next July.

Mr Sutherland announced last April he would not be a candidate for director-general of the WTO, which is supposed to begin work on January 1.

But it now looks increasingly unlikely that a decision on his successor will be made by early December, when Gatt members are due to endorse the appointment, making it virtually impossible for the new director-general to take up the WTO reins in January.

Though no formal proposal to stay on has yet been made to Mr Sutherland, it is under active discussion by trade diplomats anxious to assure a smooth transition from Gatt to the more powerful WTO. However, some officials are still hopeful that the decision on the choice of WTO chief can still be made by next month.

A third round of consultations among Gatt members on the WTO appointment is taking place in Geneva this week. The officials said yesterday they expected the outcome to be a continued three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has US and Latin American backing, and Mr Kim Chul-su of South Korea who has Asian support.

Though Mr Ruggiero is ahead numerically, the eventual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round global trade accords, the continuing stalemate over the next OECD secretary-general and the lack of agreement of the US in the WTO race are all seen as obstacles to consensus.

To these must now be added the uncertainty over the outcome of the Uruguay Round vote by the US Congress in three weeks' time. A rejection by Congress would certainly kill the WTO which could not operate effectively without the participation of the world's biggest trader.

Only 30-odd countries among Gatt's 124 members have so far ratified the world trade pact, and they do not include any of the Quad group of leading traders - the US, the EU, Japan and Canada. Most have been awaiting the US decision.

The mid-term elections and the impending Uruguay Round vote have also kept the US out of the active big-power horse-trading that will be a necessary ingredient of an eventual deal.

Though strongly denied by the US and EU, many trade diplomats believe there is also a trade-off between the WTO leadership and the long delayed decision on who should run the OECD in Paris. If, as the US and Canada are demanding, the OECD job goes to a non-European, this could boost Mr Ruggiero's WTO chances.

Congress and Gatt, Page 6

Poland bids for improved UK trade and investment

By Anthony Robinson

Mr Waldemar Pawlak, the Polish prime minister, yesterday sought to attract more UK trade and investment by stressing Poland's large market - equivalent to the combined populations of the Czech Republic, Hungary, Slovakia and former East Germany - and access to non-Russian sources of oil.

Addressing a Polish business conference at the Confedera-

tion of British Industry in London, Mr Pawlak said that Poland was currently enjoying rapid export-led economic growth and broad political agreement on the development of market-based reforms.

Polish-UK trade has more than tripled in the past four years. This is partly a result of growing UK investment by companies such as Pilkington Glass, British Vita, British Sugar, British American Tobacco, Cadbury Schweppes,

BP and British Oxygen, and also because of rising exports of North Sea oil to Polish refineries through the port of Gdansk.

In the first seven months of this year Polish exports to the UK rose to \$205m (\$500.2m) from \$251m in the same period of 1993, while UK exports to Poland slipped back to \$366m from \$415m, mainly because of a fall in oil and refined product imports to \$58m from \$151m. Poland's diversification from

dependence on Russian oil was an early priority of post-communist governments. By 1992 oil imports from Russia had dropped to 48 per cent of the total, while the UK supplied 21 per cent, Iran 18 per cent and Norway 8 per cent.

Last week Russia and Poland were due to finalise an agreement on the construction of the Polish section of a gas pipeline which will eventually bring 87bn cu m of natural gas annually to central and west-

ern Europe from the Yamal peninsula. Mainly for domestic political reasons, Mr Victor Chernomyrdin, the Russian prime minister, called off the meeting, but the substance of the deal has not been affected.

Poland will help build and finance the pipeline and take 14bn cu m of Russian gas annually. Unlike earlier Soviet gas pipelines, which terminated in former east Germany and so represented Soviet control over Poland, the Yamal

pipeline will transit Poland and the main throughput will be sold on the German market.

Modernisation of Poland's oil-refining and petrochemical industry, requiring a total investment of about \$2.5bn, is one of the government's long-term priorities. But potential foreign investors, including UK oil and energy groups, have been frustrated by political uncertainty over what strategy will follow. Mr Pawlak said yesterday that the govern-

ment was currently inclined to restructure the industry before privatisation. Officials added that Warsaw would be seeking substantial foreign investment.

Developing the energy sector was part of a broader plan to restructure eight industrial sectors, including coal, iron and steel and shipbuilding, which had already had subsidies removed and were now operating profitably, said Mr Marek Pol, trade and industry minister.

Toyota planning second assembly plant in Canada

By Kevin Done, Motor Industry Correspondent

Toyota is to double production capacity in Canada to 205,000 cars a year by the late 1990s. The Japanese carmaker is planning to invest C\$600m (\$450m) to build a second assembly plant at Cambridge, Ontario, with capacity to produce 120,000 cars a year. Output at its current plant is 85,000 cars a year.

The new plant, due to begin production in August 1997, will increase Toyota's capacity in North America to more than 900,000 cars and light trucks a year by 1998, and will help Toyota counter the impact of the yen's appreciation.

The main model to be produced at the new plant will be the Toyota Corolla small fam-

ily saloon. It is already assembled at Toyota's plant in Ontario and at the New United Motor Manufacturing (NUMMI) plant at Fremont, California. Toyota's joint venture with General Motors. A rebadged version of the Corolla produced at the NUMMI plant is sold by GM in North America.

Toyota said it would cease exporting the Corolla from Japan to North America, when the new plant in Canada begins production. Toyota, the leading Japanese vehicle maker, announced recently that its production in North America was expected to rise to 790,000 vehicles in 1996, a 50 per cent increase from last year's output of 533,000.

North American produced vehicles are expected to account for 60 per cent of Toyo-

ta's sales in the US and Canada in 1996 compared with 46 per cent last year.

Toyota is also increasing its car exports from North America, chiefly to Japan, Taiwan and west Europe, and exports from the US and Canada are forecast to rise to 80,000 a year by 1996 from 50,000 last year.

It is seeking to increase the local content of its North American produced vehicles with plans to raise engine production in the US and Canada to more than 440,000 a year in 1996 from 207,000 in 1993.

Toyota said that the planned expansion in Canada would satisfy the local content requirements of the North American Free Trade Agreement allowing the cars to be shipped freely between Canada, the US and Mexico.

EU's new car distribution 'archaic'

By Guy de Jonquieres, Business Editor

The main arguments used by Europe's motor industry to win renewal of new car distribution's exemption from EU competition law have been challenged by the top US automotive expert of McKinsey, the international management consultancy.

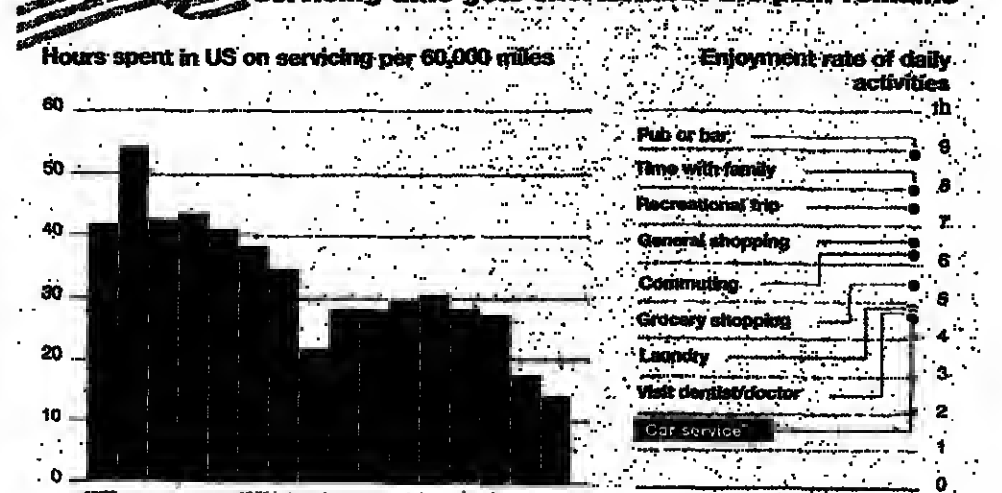
Mr Glenn Mercer said that recent industry trends made the manufacturers' arguments - broadly accepted by the European Commission last month - "increasingly outdated". He described the practices designed to preserve as "fairly archaic".

Contrary to the industry's claims, its traditional distribution system was obsolete, inefficient and failed to meet consumers' needs. Without fundamental reforms, the system would become increasingly uneconomic and out of touch with the market.

Mr Mercer's analysis, set out in an article in the latest McKinsey Quarterly, is based mainly on US experience. However, he said yesterday that most of its conclusions also applied to Europe, particularly the continent.

European manufacturers claim cars are technically sophisticated products and that they must retain the right to supply them only through

Servicing time gets shorter...but the pain remains



Source: The McKinsey Quarterly, Service International (and University of Maryland 1988 survey)

franchised dealers. They say the system encourages competition and benefits consumers by assuring high standards of sales and service.

However, Mr Mercer disputes these arguments. He says: "Many franchised dealers are too small to survive in a free market, while their role in supplying information to manufacturers and customers has declined as car-buyers have become better informed."

Car-buyers are increasingly dissatisfied with franchised dealers. According to US mar-

ket research, most consumers find visiting a dealer even more unpleasant than a dental appointment.

The claim that cars need special after-sales care has been undercut by their increasing reliability.

Franchised dealers are not well-equipped for servicing. Servicing would often be performed more efficiently by large specialised garages which were not tied to branded manufacturers.

Independent franchised dealers are no longer the most

efficient way of selling cars. Large savings could be made if manufacturers sold cars direct to customers, through discount warehouse clubs or through wholly owned dealerships.

Contrary to European manufacturers' claims, many customers would like to buy from large outlets stocking competing brands at one site. Multi-brand outlets have already captured about 10 per cent of the US market, Mr Mercer says. Don't just optimise - unbuckle. The McKinsey Quarterly 1994 No 3.

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Government is accused of 'recklessly gambling' £30m of public money in Scotland

Banks fail to revive private hospital

By James Buxton and Alan Pike

Health Care International, the Scottish private hospital opened only four months ago to cater for overseas patients, went into receivership yesterday when its bankers were unable to agree on a rescue.

The hospital, located in an enterprise zone at Clydebank near Glasgow, had been unable to attract enough patients, and only 20 of its 260 beds were occupied yesterday. Its failure is highly embarrassing for the government, which committed a total of £30m to the £180m project. Mr George Robertson,

Labour's shadow Scottish secretary, accused ministers of "recklessly gambling public money on a shaky, ill-conceived project", while the Scottish Trades Union Congress described the hospital as "a harebrained scheme which common sense indicated was doomed to fail".

HCI, which employs 400 people, hit a financial crisis in September because of a severe shortage of patients from its intended markets in Italy, Greece and the Middle East. In spite of its modern facilities, the organisation is unlikely to interest other UK hospital operators. Feeling in the sector last night was that

HCI has demonstrated the unviability of a Scottish hospital aimed at the overseas market.

London private hospitals once relied heavily on overseas patients, particularly from the Middle East, but this market has become thinner in recent years. Most hospital operators now balance overseas work with UK patients, a more important part of their market.

Samuel Montagu, leader of the syndicate of five banks lending to HCI, appointed Mr Murdoch McKillop and Mr John Talbot of Arthur Andersen as joint receivers. They intend to keep the hospital operating as a going concern

for as long as possible while they seek a purchaser.

Equity investors and lenders had tried for the last few weeks to agree a financial restructuring. Although new equity funding was available from the Abu Dhabi Investment Company, the French bank Crédit Lyonnais, one of five in the lending syndicate, refused to agree to the package, precipitating receivership.

HCI was conceived by two Harvard professors, Dr Angelo Eraklis and Dr Raphael Levey. The equity investors are led by Harvard Management, which invests money for Harvard University.

Protest against livestock shipment

By Deborah Hargreaves

Animal welfare groups protested at Sheerness in Kent yesterday at the launch of a ferry service carrying live animals to mainland Europe. Ferrylink, a division of the Mersey Docks and Harbour Company, shipped 8,000 calves and sheep to Vlissingen in the Netherlands yesterday in what it hopes will become a daily service.

The company said it would give "the kiss of life" to the live animal trade with 2 vessels taking up to 12 lorry loads of livestock a day after a ban on shipments was imposed by the leading ferry companies in October. Brittany Ferries became the last regular carrier to quit the live animal export trade last Friday.

Companies such as Peninsular and Oriental, which carried the bulk of live exports before the ban, bowed to pressure from animal welfare groups and a public outcry.

Farmers' leaders feared the ferries' action would cut off access to a lucrative export market which is worth £200m a year. Calf prices tumbled last week after Brittany Ferries joined the boycott.

Ferrylink says it will impose a strict code of practice on hauliers to ensure animals are treated well during transit. But Brittany Ferries said last week the majority of hauliers had cynically disregarded its own code of conduct.

"These people are not interested in codes of conduct - only in money," said Ms Joyce D'Silva at Compassion in World Farming, an animal welfare group.

Mr Bill Moses, managing director of Ferrylink, said: "We have no wish to be associated with unscrupulous exporters and any shipment which does not meet our strict code of practice will be refused carriage."

Exporters have also got round the ferry bans by using chartered aircraft. But several airport authorities have moved to stop the trade.

Murdoch in talks on TV news deal

By Raymond Snoddy

British Sky Broadcasting is in negotiations to have its 24-hour television news channel, Sky News, supplied under contract by Independent Television News.

If the deal goes through it would re-create an effective BBC-ITN national television news monopoly in the UK.

Talks are believed to be well advanced between the BSkyB satellite television venture and ITN, the ITV television news organisation. They have involved Mr Rupert Murdoch, chairman of News Corporation, Mr Michael Green, chairman of ITN and of Carlton Communications, and Mr Sam Chisholm, the BSkyB chief executive.

Formal agreement has not yet been reached. Mr Chisholm said last night: "We have plenty of suitors who want to get involved with us in a whole range of areas. ITN is but one."

Sky News, which has won awards for its journalism, is broadcast across Europe on the Astra satellite and is available to millions of viewers through satellite dishes and cable networks. ITN, which supplies television news to ITV and Channel 4, already provides news bulletins and programmes around the clock. Mr Murdoch controls 50 per cent of BSkyB, a consortium in which Pearson, owner of the Financial Times, has a significant stake. He is committed to continuing to provide a 24-hour news channel as part of the Sky package of channels.

But for several years BSkyB has been trying to find a more cost-effective way of providing the news channel.

Talks took place with the BBC about the possibility of a merged satellite news channel but no agreement could be reached neither could agree on who should have editorial control.

Sky News costs around £30m a year to run and has never made a profit. It is believed that the deal on offer from ITN could save BSkyB around £7m-£8m a year.

Monopoly probe for Cook

By John Gapper and Alison Smith

The acquisition by Thomas Cook Group, the travel company, of Barclays Bank's travellers' cheques business has been referred to the Monopolies and Mergers Commission.

The acquisition, announced in August, would allow Thomas Cook, already the world's largest issuer of Mastercard travellers' cheques, to become the biggest issuer of Visa travellers' cheques as well.

The deal would increase

Thomas Cook's share of the world's \$4bn-a-year travellers' cheque market from 17 per cent to 30 per cent. The market is led by American Express, which invented the travellers' cheque 185 years ago, and has 44 per cent of the market.

The Department of Trade and Industry said yesterday it had referred the acquisition to the MMC on the advice of Sir Bryan Carsberg, director-general of fair trading. The MMC must report by February 16.

Trade ministers can refer to the MMC mergers that intensify a market share of 25 per

cent or more in the UK. The Thomas Cook deal was originally due to be completed this week, but has now been put on hold until after the MMC report. Thomas Cook has not disclosed how much it paid Barclays to acquire Interpayment Services, the subsidiary, and yesterday refused to comment on the MMC referral.

Thomas Cook intends to operate the Interpayment Visa brand separately although the two brands would use the same distribution and processing facilities. Integration of those facilities has not yet begun.



Students gather for the march and rally in central London yesterday against cuts in their grants

Students protest at funding cuts

Up to 20,000 students marched in pouring rain through central London yesterday protesting about grant cuts which they say make it impossible to survive without incurring big debts.

The march was organised by the National Union of Students, which published a report claiming that 25 per

cent of sixth formers abandoned the idea of further education because of financial worries.

Mr Jim Murphy, union president, said cuts in grants and increased food and accommodation costs meant that it was cheaper to live on unemployment benefit than to take a degree. He said the Student

Hardship Report showed that housing costs had risen by 5.5 per cent last year while the grants were being cut by 10 per cent a year.

Meanwhile, the government rejected a claim from students that there are plans to privatise student loans and charge graduates commercial rates of interest.

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MCDONALD'S RESTAURANTS

Survey highlights the true cost of open government

By William Lewis

Government departments and quangos (organisations outside the government whose leaders are appointed by ministers) are charging large fees for information which they are obliged to disclose under openness guidelines based on the Citizen's Charter, a survey has found.

Some departments are charging hundreds of pounds for previously secret information which became available under the Code on Access to Government Information, introduced in April.

The sums are usually based on the costs of staff doing the research, and can be as high as \$45 (£73.90) an hour.

"What we have found is extraordinary differences between departments' arrangements, showing how arbitrarily charges have been set," said Mr Maurice Frankel, director of the Campaign for Freedom of Information, which carried out the survey. "Some of the charges will preserve Whitehall secrecy as effectively as any Official Secrets Act."

The most striking example in the survey is said by the Campaign to be the National Rivers Authority, an environmental watchdog, which says that it may charge children and students who request studies if it takes one member of staff more than half an hour to

undertake the necessary research.

The Ministry of Defence in effect rules out providing information which is more expensive than £200, "since it would probably represent an unreasonable diversion of manpower from defence activities".

The survey found that three government departments - the Foreign Office, agriculture ministry and Inland Revenue - charge for all requests which involve staff in extra work. Two other departments - the Home Office and the Department of Health - waive charges for requests which take less than an hour, and charge £20 an hour for others.

The survey found a wide variation in charges. For example, the Departments of Transport and Social Security charge for information only if more than four hours' work is required, with fees based on the average salary cost of staff involved.

The cheapest departments from which to obtain information appear to be the Lord Chancellor's Department, the Public Records Office and parts of the Northern Ireland Office, all of which allow five hours' work free. The Cabinet Office and the Scottish Office waive the first £100 of any charges.

The Office of Public Service and Science defended the charges and said anyone dissatisfied should complain to the Parliamentary Ombudsman.

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Chemicals help improvement in trade figures

By Philip Coggan,
Economics Correspondent

A surge in exports of chemicals and capital goods is driving a continuing improvement in the UK's visible trade figures, Central Statistical Office figures showed yesterday.

August's deficit with the rest of the world was a seasonally adjusted £631m, (£1,034m) while July's was revised downwards from £704m to £556m largely because of changes in the calculation of the seasonal adjustment. The CSO says the trend shows a continuing narrowing of the deficit,

with exports and imports rising by about 1/2 per cent a month.

World trade figures are reported in arrears because of the intrastat system used in the European Union, which is based on value added tax returns. The new element of yesterday's figures was the EU deficit, which widened to £342m from £171m in July, in part because of the import from France of trains for the Channel tunnel. Imports from the EU have been rising faster than those from the rest of the world.

Mr Adam Cole, a UK economist at James Capel, the brokers, said the

rise in EU imports was significant and may mark "a turning point in the trend of falling deficits apparent over the past few months".

Over the three months to August, the whole-world deficit was £1,979m compared with £2,850m in the three months to May. Over the same period, export values have risen 5 per cent while imports have grown 2 per cent. The deficit was £1bn in the three months to August 1993.

The CSO said increases in the value of chemicals and capital goods were responsible for around half the rise in exports over the past three months. If

oil and erratic items such as precious stones are excluded, the whole-world trade deficit in August was £1,190m from £1,070m in July.

The CSO estimates that export volumes - excluding oil and erratic items - are increasing by about 1 per cent a month while imports are flat.

Over the three months to August, export volumes were 3 per cent higher than in the previous three months while imports fell by 1 per cent. Compared with the same period of 1993, exports are up 12 per cent while imports are up 6 per cent. Both export and import volumes reached record

levels in August. Falls in import volumes were recorded in all sectors over the three months to August, including finished manufactures, where clothing imports fell by 7.5 per cent.

The improving trend in volumes has not been fully reflected in the headline figure for the trade deficit because of a deterioration in the terms of trade.

Import prices were 3 per cent higher in the three months to August than in the previous three months while export prices were 1 per cent higher.

Government seeks to boost level of non-EU exports

By David Owen

The British government is aiming to lift the proportion of UK exports that go to countries outside the European Union as part of its strategy for stimulating domestic growth.

Ministers want to increase non-EU exports to more than 50 per cent of the total before the next general election due by 1997.

They are keen to promote British exports to relatively fast-growing economies in Asia and Latin America.

On Sunday, Mr Richard

Needham, trade minister, is due to leave for India at the head of a party of more than 80 business executives in what the Department of Trade and Industry is billing as its biggest-ever trade mission.

The group will fly to Calcutta, Delhi, Bombay and Madras for a week-long programme of meetings.

Official figures indicate the government is well on the way to achieving its target: exports to the EU amounted to £46.3bn or 52.6 per cent of the total in the eight months to August. This compared with £53.9bn or

52.7 per cent in 1993 and

£58.9bn or 57 per cent in 1991.

Last October, non-EU exports - at £5.28bn - marginally outstripped exports to EU countries - at £5.26bn. It was the first month for more than three years in which this had happened.

But next year's expected enlargement of the EU may make the target more challenging than it appears.

The way is clear for four European countries - Sweden, Norway, Finland and Austria - to become members of the EU in January 1995.

Minister accused on Pergau

By Robert Rice,
Legal Correspondent

Mr Douglas Hurd, the UK foreign secretary, was yesterday accused in the High Court of acting unlawfully in earmarking £234m from the overseas aid budget for the Pergau dam in Malaysia.

The World Development Movement, a lobby group for developing countries, is seeking to have his decision quashed, to recover the £23.6m already spent, and block further payments from the aid budget for the dam's construction.

The next instalment is due to be paid in December.

The group claims Mr Hurd overstepped his powers under

the 1980 Overseas Development and Co-operation Act, by allocating aid money for the improper purpose of promoting trade with Malaysia. The act says the primary purpose of aid must be the economic benefit of a foreign country or the welfare of its people.

Mr Nigel Fleming QC, the group's counsel, said the purpose of the act was "aid - not trade" and Mr Hurd's decision had deprived poor countries of British funds which should have been spent on them.

Mr Fleming said the use of aid could not be said to be for the economic benefit of Malaysia because when Mr Hurd took the decision, "Pergau was unequivocally an economically

unsound project". Sir Tim Lankster, former permanent secretary at the Overseas Development Administration, advised that the dam was uneconomic and funding it was an "abuse of the aid programme", but he was overruled.

The government has accepted that if it loses the court case, the bill for the dam will have to be met by another government department.

Mr Roger Briffot, WDM director, says the £234m earmarked for the project is equal to twice as much as all British aid for water and sanitation for the last five years or half Britain's aid to sub-Saharan Africa in 1992/93.

The hearing continues today.

UK NEWS DIGEST

Howard rebuffed as court rules he acted unlawfully

The British government's new compensation scheme for victims of violent crime, introduced in April, was ruled unlawful by the Appeal Court yesterday.

The decision is a further setback for Mr Michael Howard, the Home Secretary.

The court said he had acted "unlawfully" and "abused his powers" by implementing the scheme without referring it to Parliament.

Mr Howard said last night he would be appealing against the decision to the Lords.

The new tariff-based scheme sets fixed levels of compensation for different categories of injury, replacing the previous scheme based on personal injury compensation rules, which took account of individual circumstances.

The government said the new scheme was necessary to curb soaring compensation costs. It said unless changes were made, the annual cost of payments would rise from £224m to £265m by 2007.

The ruling prompted immediate opposition demands for Mr Howard's resignation.

Offer made to Maxwell groups

A group of investment banks and former professional advisers to pension schemes controlled by the late Robert Maxwell has offered to pay between £200m and £300m to obtain a "global settlement" of all outstanding claims.

Trustees of the schemes and their advisers yesterday met Sir Peter Webster of the Maxwell Pensioners Trust who told them of the offer.

Sir Peter had set a deadline of November 4 by which time all offers of settlement had to be made. Those which did not make "credible" offers could expect legal proceedings against them to continue.

However, trustees had been hoping to receive an offer closer to the £448m estimated to have disappeared from the schemes before Maxwell's death in November 1991.

Third setback for Eurostar

Eurostar, the high-speed Channel tunnel passenger train, yesterday suffered its third embarrassing breakdown within a month. Eurostar will start a regular service linking London with Paris and Brussels through the tunnel next Monday.

One of the £24m trains due to carry a party of MPs to Paris developed a technical hitch and had to be replaced, causing a 30-minute delay.

On October 20 a train due to carry 400 journalists through the tunnel on a promotional trip suffered a similar hitch while the following day a train carrying British Rail chairman Sir Bob Reid and Eurotunnel co-chairman Sir Alastair Morton had to be taken out of service at Calais.

European Passenger Services, the UK arm of Eurostar, said most of its test runs had been trouble-free and it was confident its public service would run smoothly next week.

£500m power station plan

Up to 700 jobs are to be created building a £520m gas-fired power station near Grimsby, Humberside County Council said yesterday.

The station is being built by a consortium including Midlands Electricity, the regional power company, IVO, the Finnish electricity company and Japanese trading company Tomren.

Humberside said the station was one of the largest inward investments into the UK. The station is due to open in 1997, creating up to 100 permanent jobs.

Norman O'Neill, chairman of Humberside county council's economic development sub-committee, said the investment was the first of many in line for the area.

However construction of the station, which will have a capacity of 750MW, has been seen as a setback for the coal industry. When it is fully operational it will displace up to 2m tonnes of coal a year.

Human rights award for Hume

Mr John Hume, leader of Northern Ireland's Social Democratic and Labour party has won major peace and human rights awards in the United States and Italy.

He is to join former Soviet and US leaders Mikhail Gorbachev and George Bush to receive the Elie Wiesel Institute award for peace in Rimini at the weekend. Mr Hume is also due to receive an award from the International League of Human Rights at the UN in New York next month.

The MP for Foyle, in Londonderry, who has been at the centre of the Northern Ireland peace process has already been nominated for the 1995 Nobel Peace Prize.

Ealing offers expected soon

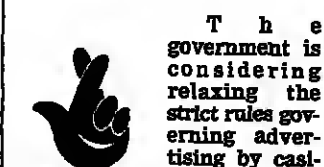
Serious offers for Ealing Studios - home of some of the most famous British films - are expected within days, it emerged yesterday. Receiver Mr Alan Price - speaking the day after one of the country's newest film production companies, Metrodome, put forward a rescue plan - said he was "optimistic" of finding a buyer.

The two-year-old company announced it was prepared to provide half the money to buy the studios and was actively seeking a partner willing to meet the rest of the cost.

The fate of the west London studios, used in the 1940s and 1950s for comedy classics such as *The Lavender Hill Mob* and *The Ladykillers*, is in the balance after owners BBRK became insolvent last month.

Mr Price said Metrodome was just one of a number of companies which had shown an interest in taking over Ealing.

Casino advert ban may be relaxed



THE NATIONAL LOTTERY

Mr Michael Howard, home secretary, said yesterday, our Marketing Correspondent writes. Pressure on the government to ease gaming restrictions has increased with the advent of the National Lottery, tickets for which go on sale on Monday.

Competing operators, including the football pools, have won concessions following complaints that the lottery is not subject to the same tight rules on advertising, promotion and operation as other forms of gambling.

Mr Howard told the British Casino Association that the government was looking at all gaming controls as part of its effort to cut down on unneces-

sary red tape. The current complete ban on advertising for casinos was "ripe for review", he said. "There are legitimate concerns that unrestricted advertising would send out the wrong signal to those who might be vulnerable to excessive gaming. But I think there is a case for your being allowed to give out information about yourselves, the location and facilities offered." Similar restrictions in other areas would be examined. Betting shops are allowed to advertise on posters, but are not allowed to state their location.

● The Sports Council said yesterday it expected £1.6bn (£2.6bn) to be available for sport between 1995 and 2000 from the National Lottery.

Local sports facilities and a possible new national stadium may be funded by the lottery, which is first drawn on November 19. Sport is one of five "good causes" that will receive an equal share from every £1 ticket sold.

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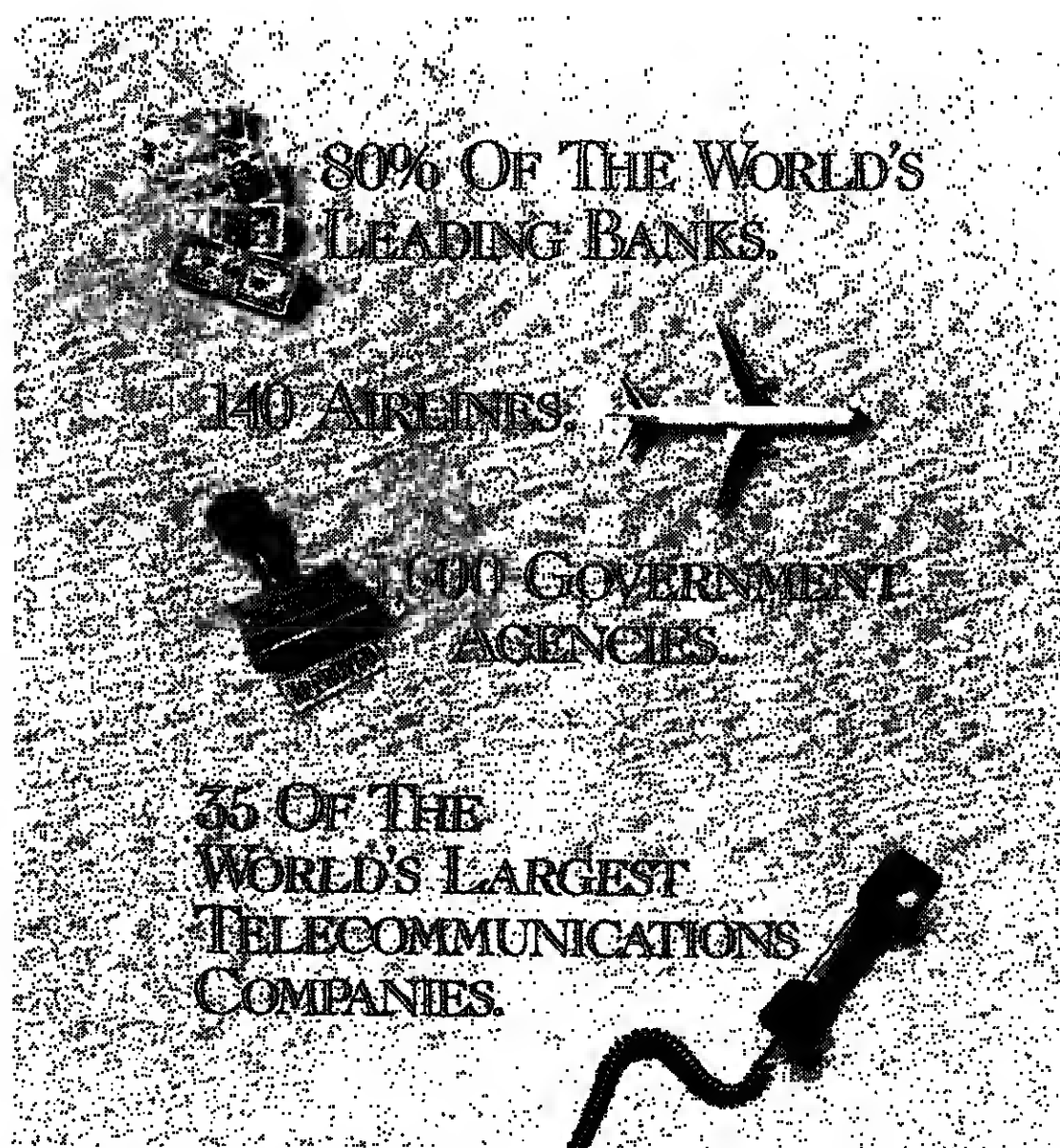
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مكتبة الانجمن

MANAGEMENT: MARKETING AND ADVERTISING

The old school lie

How do independent schools improve their market position, as recession continues to make inroads into pupil numbers? The answer seems to be by moving up the league tables.

Parents place increasing weight on exam results with the consequence that those schools which perform well cite their league position in their advertising.

At face value, this is a welcome development. If schools are forced to improve academic results, they are boosting the fundamental quality of their product. But the suspicion is harboured in some quarters that certain schools have worked out how to doctor the results.

After the FT's school survey was published last month, a humorous missive arrived from Uppingham, a Leicestershire boarding school. The Uppingham Newsletter, tongue in cheek, provided heads with ways to massage their figures:

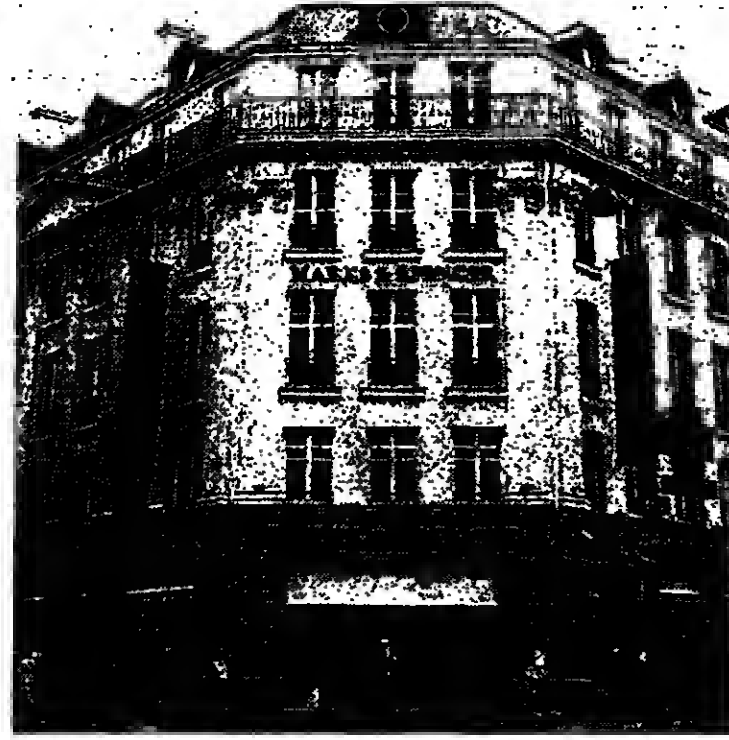
- Challenge the results with the examiners. "Obviously you won't want to include the results in your statistical submission, because they are not really results at all, are they?"
- "Weed out" pupils who do badly in the mock exams. "Obviously Nigel should not be allowed to take the A-level. It wouldn't be fair on him."
- Establish a "private examination entrance centre-St Cusard's", and enter your 20 per cent weakest candidates there. "St Cusard's won't do very well, but you will!"
- Recruit pupils from Germany, for example, and enter them for A-level German.
- Omit results for those who have been at the school "just for a year's experience - they can't be expected to do terribly well."
- Start at the very beginning and refuse to permit students to take "hard" subjects, even if they want to.

The newsletter notes mischievously: "Nobody would even think of such things, would they? You'd be surprised!"

John Authers

Neil Buckley explains why it took so long for Marks and Spencer to crack the international retailing market

Food for thought



M&S on Paris's Rue de Rivoli: its best-selling products are Indian ready meals

When women in Madrid and Lisbon want a bra, they head for Marks and Spencer. The UK-based clothing and food retailer is building a Spanish and Portuguese retailing empire on selling lingerie. The reason, say M&S managers, is that local retailers are decades behind in the way they sell these intimate garments.

Many offer only three sizes of bra - small, medium or large. Products are displayed in glass cases; buying one requires an assistant reaching up and taking a box from a shelf behind the counter. Marks and Spencer, by contrast, sells a wide range of bras, displayed on open fixtures, in 17 sizes. "We really do lead the world in bras and knickers," says David Dewhurst, commercial manager of Marks and Spencer's Portuguese franchise.

Being a successful international retailer, however, means more than providing 17 bra sizes, as Marks and Spencer has discovered. The history of its expansion overseas has not always been happy.

In 22 years of trading in Canada it has rarely done better than break even, with local inhabitants never really taking to its stores. D'Almeida, the Canadian chain M&S acquired in the 1970s, has performed a little better.

More recently, M&S underestimated the work it would have to do to bring Brooks Brothers, the upmarket US clothing chain, acquired in 1987, up to group standards. Elsewhere, however, across Europe and in east Asia, Marks and Spencer is at last becoming a successful cross-border operator.

As well as 22 Brooks Brothers, D'Almeida's and Kings Super Markets stores in North America and Japan, and its 40 M&S stores in Canada, it has 23 company-owned stores in six countries outside the UK, from the Republic of Ireland to Hong Kong. It also has 76 franchise stores in 18 countries from Austria to Indonesia. In its most recent full-year results, 19 per cent of Marks and Spencer's turnover and 7 per cent of operating profits came from outside the UK.

It used to be a rule of retailing that stores groups that succeeded overseas were those that "sold their country", whose image and products were closely associated with a particular nation.

That no longer holds true. Retailers such as Toys R Us of the US and the Swedish furniture retailer Ikea dominate every market they enter not because they are American or Swedish, but because they sell a bigger range of better products than their competitors, at better prices. The UK's Body Shop has expanded into 45 countries by selling innovative "natural" products. Britishness scarcely comes into it.

What these retailers have in common is a "unique selling point", setting them apart from competitors. Marks and Spencer's USP, however, is complex; customers outside the UK seem drawn to its stores for many different reasons.

Part of the reason is still its Britishness. Overseas store managers admit that classic "British" products, such as Harris tweed jackets or flannel shirts, always sell well. But, says Juan Jimenez, a director of Cortefiel, the Spanish retailer which owns 20 per cent of Marks and Spencer's Spanish business: "Early in the life of Marks and Spencer in a new country, its British appeal is important. But the day quickly comes when the appeal is more the strength of the product and the service."

An important reason for customers choosing M&S is that it offers a variety of other products not available locally, at least in such depth, or for such a good price. Lingerie is in this category - in Madrid it accounts for almost a quarter of turnover, compared with 13 to 15 per cent in UK stores. Children's. Sometimes the products are more unusual, especially in food. In Marks and Spencer's new Paris store, which opened in September on the Rue de Rivoli, some of the best-selling products are ready meals, especially Indian meals - not widely available in France.

But perhaps the most important ingredient of Marks and Spencer's overseas success is that they are able to meet local tastes and offer products similar to those in local stores

- but at superior quality and prices. Both internal and external factors have made M&S better able to do this now than it was when it first expanded overseas in the 1970s. One external factor is that international tastes have started to converge, due to growth in foreign travel and cross-border television and media.

Alan Lambert, Marks and Spencer's divisional director for continental Europe, says the "European consumer" is now a reality. "I personally wouldn't narrow it down to Europe," he adds. "There is already an international consumer."

Individual tastes do persist in different countries, but internal changes have helped Marks and Spencer address these. The group has developed the flexibility to construct a product offer made up of "core" bestsellers surrounded by products tailored to local markets.

This does not work everywhere - Canada being the obvious example - and M&S still makes mistakes, but it has learned to rectify these more quickly. Dewhurst says research a few years ago in Portugal found shoppers loved Marks and Spencer's lingerie, but thought its clothing "ugly". By swapping the contemporary bodies and leggings it had been trying to sell for more "classical" blouses and skirts, it was able to meet local tastes.

With all tills in company-owned stores linked to a giant computer centre in west London, and franchise operations increasingly being linked to the same system, the group can quickly pick up trends, spotting which products are not selling, and make adjustments accordingly. Moreover, all products are sourced through its central buying organisation and supplier network, which, says Alan Hodges, Marks store manager, means M&S can be "unbeatable value".

That is in spite of M&S's prices in continental Europe being about 20 per cent higher than in the UK, owing to higher distribution costs. Prices, however, are coming down as M&S adopts its "outstanding value" campaign across Europe, involving lowering prices on popular products to boost volumes.

There are perhaps two important lessons to be learned from Marks and Spencer's experiences. One is the importance of flexibility. Transplanting a store format and its product range from one country to another, as M&S tried to do in the 1970s, is not enough, even in the age of today's international consumer. The complexities of local tastes must be catered for.

But successful cross-border retailing does not necessarily entail reinventing the wheel, coming up with a highly innovative store format or concept. In the words of Alan Lambert: "Quality, service and value will sell anywhere."

Deutsche Bank's motley crew

Andrew Fisher on a different kind of corporate advertising by Germany's biggest bank

Put together a theologian, a car company executive, a trade unionist, a former government minister and a couple of professors and what do you have? A motley collection, some would say, but for Deutsche Bank they have a common link. To Germany's largest bank, this is a group of people who can help polish its image after a year of hard knocks.

From Sunday, it will run a series of heavy-weight advertisements in German newspapers where these individuals' views on work and society in an uncertain future will be comprehensively presented. The bank will scarcely be mentioned, although its name and line-in-a-box logo will be printed at the foot of the articles.

Why is the bank doing this? Clearly, an image-burnishing campaign would not go amiss at the end of a year in which it has featured uncomfortably in the spotlight. First, its role as shareholder and creditor of Metallgesellschaft, which made heavy losses on US oil futures trading, was highlighted. Then came Jürgen Schneider's collapsing property empire, to which the bank was a significant lender, followed by his disappearance. Banks in general have been criticised for being too insensitive to customers' needs.

But the current campaign, masterminded by Abels & Grey, a self-styled corporate mission agency in Düsseldorf, is not like the usual burst of promotions. The latest run of advertisements has more to do with broad social and philosophical issues, although the agency does plan an image campaign along more usual lines next month.

Such a concept-oriented approach in advertising is novel. *Horizont*, the German marketing weekly, says the campaign "breaks through the accepted boundaries of institutional communication". Its theme is Work; the articles are somewhat daunting two-page reprints of speeches on the subject

by Hans Küng, a controversial Catholic theologian, Heinz Riesenhuber, former research minister, Wolfgang Reitzle, BMW's development director, Walter Riester, deputy head of the I.G. Metall trade union, and two professors from Konstanz and Bonn. The speeches were given at a conference of the Alfred Herrhausen Society, formed in memory of the bank's former chairman, killed by terrorists five years ago.

This week the bank has run 60-second television commercials foreshadowing the campaign against a background of job uncertainty. According to *Horizont*, "No large German company, and certainly none of the big banks, has dealt with such social themes in a way that is so public and so removed from its own business."

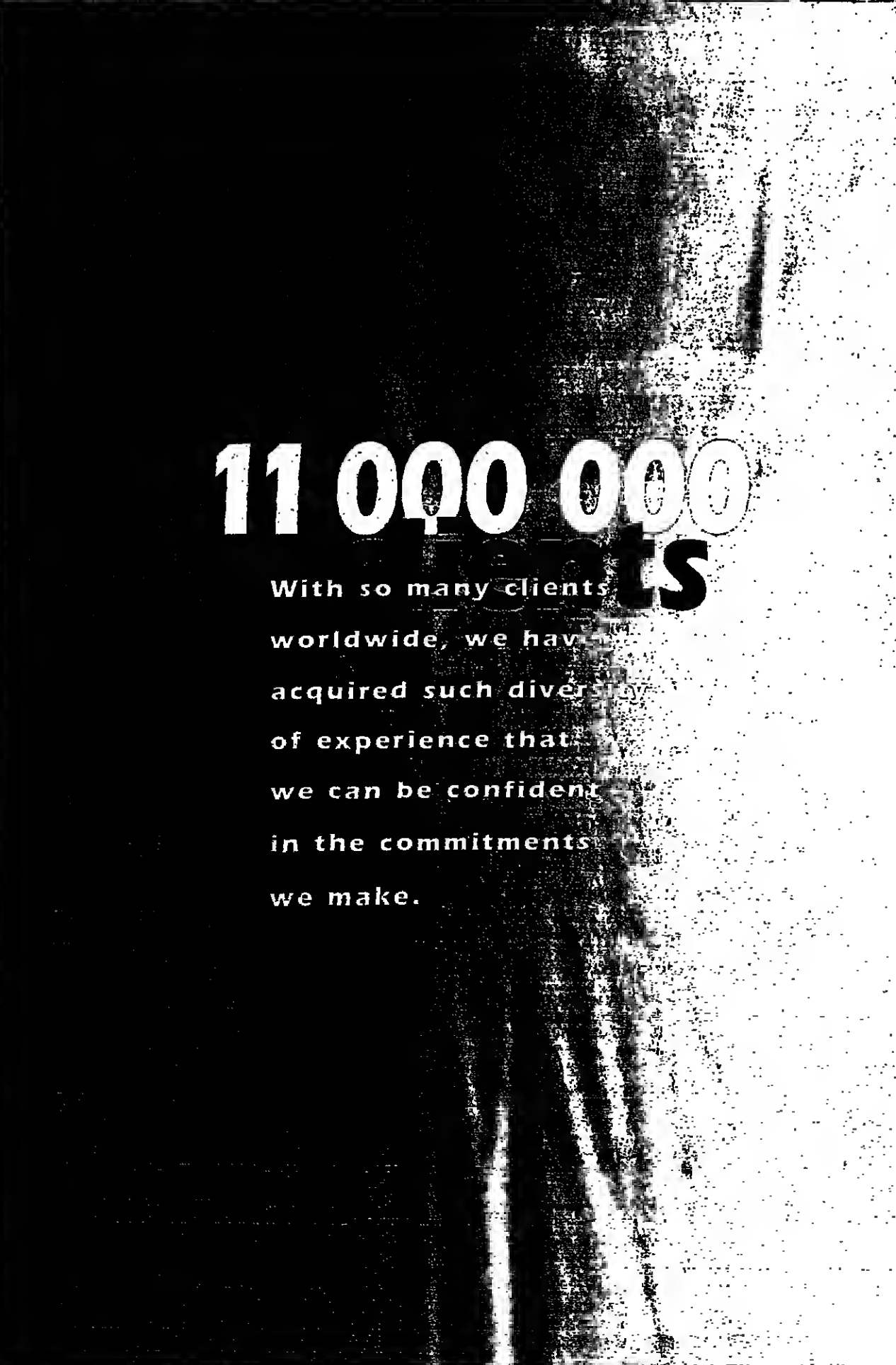
It calls the bank's action "courageous" but says it also carries a high risk, especially since each article would be prefaced by the words: "Deutsche Bank - we support the future." This would be a yardstick by which the bank would be measured.

Deutsche Bank accepts this risk. "We are under the gaze of the public," writes Hilmar Kopper, the chairman, in *Forum*, its house magazine. "As one of the leading corporations in Germany, we are quite obviously involved in many social activities which go beyond the purely commercial." By this, he means the bank's responsibilities as an employer and member of the community, supporting environmental research and helping the disabled.

It is this "other side" that the bank wants to bring more into the open. Kopper says Deutsche Bank's "traditional reticence" about the wider aspect of its activities had led to "a certain one-sidedness" in the public's view. In future, it would provide more information about how it fulfilled its social responsibilities.


Horizont hopes more companies will follow suit. No doubt, they will await the response to Deutsche Bank's campaign first.

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Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal
Fed Chairman Alan Greenspan boosted dollar by announcing currency's fall was bad for U.S. economy.				Japanese parliament elected Socialist Party's Murayama as Prime Minister causing markets to move.				Bundesbank President Hans Tietmeyer hinted at lower rates in exclusive RFTV interview, stating money supply growth only a problem if expansion resumed.				U.S. Treasury Secretary Lloyd Bentsen, in exclusive, live, RFTV interview at the IMF conference, said he would be pleased to see a slightly stronger dollar. The dollar promptly rose.			
Tietmeyer prompted speculation of future rate cuts when he told a Bundesbank news conference there was no need for worries about inflation expectations in Germany.				President Clinton told G7 news conference in Naples that economic growth was his priority, pushing dollar lower.				U.S. Labor Secretary Robert Reich, speaking exclusively to RFTV, said there was no evidence of 'cost-push' inflation, warning against over-reaction to non-farm payrolls figure.				In exclusive interview after Bundesbank press conference, BUBA board member Oltner issued warning against expecting the magnitude of repo rate cuts to follow recent trend.			
U.S. Commerce Secretary Ron Brown pushed dollar down with aggressive comments on the U.S.-Japan trade dispute, in exclusive RFTV interview.				Commenting exclusively to RFTV, Italy's budget minister Giancarlo Pajjarini outlined agenda for long-awaited cabinet meeting and gave date for new budget.				In exclusive Reuters interview, Sweden's central bank governor Urban Backstrom attempted to calm markets after surprise rate rise, saying crown undervalued.				U.S. Trade Representative Mickey Kantor discussed U.S. strategy in an exclusive RFTV interview.			
Portuguese Director General of the Treasury Manuel Pinho gave an exclusive interview to Reuters during the Escudo crisis.				Fed Chairman Alan Greenspan's announcement that strong and reliable dollar was important to world markets bolstered U.S. currency by half a pennig.				Bank of France Governor Jean-Claude Trichet forecast further falls in French inflation during address in London transmitted exclusively to RFTV viewers.				RFTV transmitted interviews with 5 G7 finance ministers including Kenneth Clarke - U.K.			

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مكزامن الأخبار

TECHNOLOGY

Specialists come to the patient

Telemedicine may save time and money, writes Vanessa Houlder

A pregnant woman lies on an examination table at St Mary's Hospital on the Isle of Wight. An ultrasound scan has picked up a potential abnormality in her baby.

Eighty miles away, in Queen Charlotte's Hospital in London, an expert is watching the progress of the scan as it takes place on a TV screen. At intervals, he freezes the screen and takes measurements of the image. Within a few minutes, he is able to assure the sonographer and patient at the other end of the line that the pregnancy is normal.

This system of transmitting scans at St Mary's to specialists in London via an Integrated Services Digital Network (ISDN) link is now in the early stages of a six-month trial.

Several benefits of the system are already apparent, according to Nicholas Flek of Queen Charlotte's Hospital. It spares many women the anxiety of waiting for a consultation and the expense of travelling to a specialist centre. Because it is less stressful for the mother, sonographers are more likely to get a second opinion for borderline cases.

The system may also save the specialist hospital time and money. The equipment - provided by BT for the trial - costs around \$80,000. But it may allow the specialists to be more productive, reducing the \$500 cost of the average consultation.

The Isle of Wight experiment is not unique. The falling cost of equipment is encouraging hospitals around the world to experiment with telemedicine - transmission of medical data and images between medical centres - in order to improve services for remote areas or to make top specialists available to countries that lack a particular expertise.

Last month, doctors in Saudi Arabia were linked to specialists in the radiology and pathology departments in the Massachusetts General Hospital, in what WellCare, the network provider, describes as the first international telemedicine link.

The system works by digitising and compressing images of patients' X-rays, MRI (magnetic

A young man triumphantly slams a basketball through the hoop while a woman works out on the treadmill. Dozens of used running shoes are beaped in the corner, and a golf player awaits his turn to try out his back swing on the astroturf.

This is not an exclusive health club, but the research laboratories of Reebok in Stoughton, Massachusetts. For Reebok, as for other high-tech sports shoe makers such as Adidas, Nike, L.A. Gear and New Balance, recreation is big business.

The basketball player is stepping on a sensitive "force plate", a device beneath the boards that measures the force of the player's landing after his jump. The woman on the treadmill is wearing reflectors on strategic parts of her legs and feet. The action is recorded on high-speed video - the reflectors' movements are then isolated and fed into a computer, where they will be studied in detail.

The heaps of running shoes will be inspected to determine how well they held up over miles of use, and the golf player will eventually be converted into a computer stick figure, so that scientists can study the movement of his foot during the back swing.

Technology in the sports shoe industry has come a long way in the last 30 years. In the 1960s, most people expected no more from a sports shoe than a little foam and rubber, with canvas or leather on top. The running craze of the 1970s sparked the first interest in shoes tailored to a specific sport.

Since then, the sector has blossomed. Companies have tapped research in the aerospace and transport industries to make improvements in design. Shoes have been replaced on many models by a less complicated strap system. Sports shoes are pumped up with air, reinforced with high-tech materials, sculptured to the foot and manipulated to eliminate excess weight.

Consumers have responded enthusiastically. The global wholesale athletic footwear industry reached \$12.1bn (£7.3bn) in 1993, according to the NPD Group, a market research firm. For 1994, the figure is forecast to be even higher.

Manufacturers are always looking for new sports to add to their product line. The recent enthusiasm for mountain biking inspired a crusade for the perfect mountain-biking shoe. Adidas is considering developing a shoe for snowboarding, a sport which has taken off in the US, and New Balance just arrived on the market with a new boot shoe, an alternative to moccasins.

Companies are also trying to expand their market by making shoes for sports more commonly played in Europe and Asia than in the US. Nike, for instance, will



Front runners: athletes such as Roger Black (left) and Richard Marwick want the superior performance delivered by high tech

Sports footwear manufacturers use high technology to cater for all kinds of athletes, writes Victoria Griffith

Shoes that go one step ahead

they can hurt their knees. Reebok is trying to design a shoe that would offer both forward and lateral traction, but would still give way on a twisting motion.

Even within one sport, athletes' needs may vary. A dribbler, or defence player in basketball, for instance, needs to move fast and

introduce a new line next year that includes footwear for squash, handball, volleyball, cricket and rugby.

Hiking boots are also attracting attention, and for good reason. While a tennis shoe, for instance, rarely sells for more than \$120 a pair, hiking boots are often \$200 or more. There is also much room for improvement. Most hiking boots are unnecessarily uncomfortable, according to Spencer White, head of research at Reebok.

Because every sport involves different foot movements, manufacturers say athletic shoes need to be tailored for a specific use. Games such as handball or tennis, for instance, require a great deal of lateral (side-to-side) movement, requiring a more stable shoe than one worn by walkers. Soccer players like a shoe that fits like a glove, and used to buy footwear too small before manufacturers latched on.

American football players need good traction. However, if the shoe gets stuck on a twisting movement,

says Edith Harmon, product development manager for New Balance.

Besides laboratory testing, manufacturers rely on top athletes and testers, often referred to as the "weekend warriors", for input. "The big athletes are important, but we get even more feedback from people who play sports casually," says Guy Marshall, a footwear designer for Adidas.

One of the main challenges in the industry is to design a shoe that is both light and strong. "We are looking to take every last gramme of material out while maintaining the shoe's stability," says Harmon.

The right materials are of prime importance. Footwear manufacturers were met with surprise when they showed up at aerospace and transport fairs in the 1980s. Now they have formed direct contacts with chemical firms and other materials developers.

Nike, for example, uses a Du Pont concoction called Kevlar for its tennis shoe line. "One of the main

Footwear manufacturers were met with surprise when they showed up at aerospace and transport fairs

usually prefers a lighter shoe. But offensive players are normally bigger and heavier, and require more stability in the heel for jumping. "Everything is important, from the form on which the shoe is built to the heel width to the tread pattern,"

PEOPLE

Reuters' Sanderson takes on the States

Reuters Holdings, the financial information and news company, has promoted Michael Sanderson, chief executive of its fast-growing, US-based equity brokerage service, to chairman of Reuters America Holdings, which oversees all the group's activities in the Americas.

Sanderson, 51, who will continue as Instinet's chief executive, will report in both roles to

Andre Villeneuve, an executive director of the London-based group who currently chairs Reuters America Holdings.

Instinet, Reuters America - responsible for the group's financial information and media activities - and Reuters NewMedia, which has recently made a series of small multi-media acquisitions in the US, will continue to operate as separate entities. Brian Vaughan, president of Reuters America,

Jean Wood promoted at Irish Life

Brian Duncan is to step down as chief executive of Irish Life Ireland as part of the company's reorganisation of its European operations.

Duncan, who joined the company after leaving school, has been in charge of both retail and corporate arms. His departure follows a merger of the company's retail business in Ireland and the UK under a new chief executive, Jean Wood, currently head of Irish Life's European business. Corporate activities are to be headed by Kevin Murphy, currently in charge of investments.

Irish Life's managing director David Kingston says Duncan, 49, believes "it is now time for a change - both for himself and for Irish Life".

Duncan declined to take one of the two new positions created by the management review and is now said to be favourite to take the vacant position of chief executive of VHI, the big state health insurer. John Murray-Brown

Rick Hudson has been appointed operations director of ROYAL INSURANCE Global.

Nigel Keese has been appointed director of operations with responsibility for the customer service and systems departments at SCOTTISH PROVIDENT INTERNATIONAL.

James Gilchrist, deputy chief executive and general manager (sales), has been appointed to the board of SCOTTISH LIFE ASSURANCE COMPANY.

Adrian Daly has been appointed chief executive of HIBERNIAN GROUP, Ireland's largest home insurer, on the retirement of Ramon Walsh.

Michael Pendle has been appointed director, general insurance at ABBEY NATIONAL, he joins from National & Provincial Building Society.

David Drury, appointed information technology director, and Vyvienne Wade, legal director, have joined the boards of JIB UK Holdings and JIB Overseas Holdings; Drury moves from Balm Hogs.

John Rampe, a director of UNITED FRIENDLY GROUP for 43 years, died last month.

Kermans finally bow out at BS Group

A long and bitter boardroom struggle at BS Group, the Bristol-based property and leisure company, has come to an end after three members of the Kerman family resigned.

The announcement was the culmination of the efforts of non-family shareholders to remove the Kermans, who have been associated with BS, formerly Bristol Scots, since before the second world war.

In August, Anthony Kerman was deposed as chairman and replaced by Sir Ian Rankin.

Two months later BS Holdings, a property group based in Singapore, bought the Kermans' 38.97 per cent stake in the company for £3.1m. This was held by Anthony Kerman, his brother Nicholas and their

father Isidore.

Scott is quoted on the Singapore stock exchange but is controlled by the Jumbaboy family, who at the time of the buy-out agreement received assurances from the Kermans that they would leave the board.

Iqbal Jumbaboy, Rafik Jumbaboy and Bryan Burtel, a business partner of the Jumbaboy family, have taken three seats on the board as non-executive directors. Sir Ian remains chairman.

BS returned to the black this year for the first time since 1988, with a pre-tax profit of \$429,000 for the six months to June 30. The interim dividend of 3p was the first distribution since 1989. James Whittington

Ross Goobey puts his words into action

Alastair Ross Goobey, chief executive of Postal Investment Management and one of the most forceful advocates of property as a financial asset, is taking over as president of the Property Investment Forum.

The Forum was set up seven years ago to debate and comment on issues relevant to the property investment community. It now has around 700 members drawn from the property, legal, actuarial and other professions.

Ross Goobey's involvement is sure to raise the profile of the group. In addition to running the UK's largest pension fund, he is a former Treasury

adviser to Norman Lamont and author of *Bricks & Mortar*, a readable history of the last boom-to-bust property cycle.

Yet he takes the helm of the IPF at a time when many of his peers are losing interest in property. The average pension fund now has only around 6 per cent of its assets in commercial property, against 30 per cent at the start of the 1980s.

Ross Goobey believes part of the answer could be new forms of property investment, which could mean another look at ways of utilising property to appeal to fund managers. Simon London

Michael Queen, a director of 3i, has joined the PRIVATE FINANCE PANEL executive on a 15-month secondment.

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مكتبة الأصيل

Is the crusty retired judge (Jean-Louis Trintignant) at the centre of Krzysztof Kieslowski's *Three Colours Red* really a portrait of the director?

Kieslowski is now a crusty retired film-maker. Before unwrapping this farewell movie at Cannes last May, he announced that he was going into a life of chain-smoking leisure and contemplation. Like Judge Trintignant, he realises that truth is a desperate thing to keep chasing, and that curiosity about human beings is not necessarily an honest virtue, just as often it may be, or may become, a sleazy addiction.

Trintignant, deep in the book-lined villa where the film's student/fashion-model heroine (Irene Jacob) first finds him, after she has injured his Alsatian dog in a car collision, spends his days tapping into neighbours' phone calls. Like a movie-maker he flirts with omniscience. He knows of the next-door bus-band's guilt: "Sooner or later he'll jump out of a window and his wife will know everything." He knows too about the blonde girl who is twinning her young lawyer boyfriend, who happens to live near Jacob herself.

A few scenes later, prompted by our heroine's virtuous indignation, Judge Trintignant reveals his crimes to the cops and the newspapers. Enough with the hi-tech voyeurism, he seems to say. And is Kieslowski saying the same?

Three Colours Red rounds off the Polish film-maker's tricolour trilogy with this essay on fraternity. The movie, like the Judge, often seems tired. Many of the metaphysical Kieslowski twistings were displayed to better effect in *Blue*.

This goes for the obsession with parallel lives. Is Mile Jacob's young lawyer neighbour mystically re-living Trintignant's life, right down to exact, reverberant incidents like the dropping of a pile of exam books in the street? It also goes for the director's fondness for *deus ex machina* wrap-ups. In *Red* we have a hideously glib ending in which a cross-channel ferry is sacrificed to bad weather so that six people can survive to reveal themselves as - yes! - the key young characters from all three trilogy movies. This includes the young lawyer, at last hurried by Fate into Jacob's arms.

Red begins as a movie about communication between people and generations. The opening sequence is a dazzler: camera speaking at high speed along phone cables as they plunge through earth and then under the sea. And thereafter the film's title colour is picked out in each scene, warmly, brilliantly, like a electronic beacon between strangers and ages.

But midway through the film we start to get an empty, hungry feeling. Surely Kieslowski and regular co-writer Krzysztof Plesiewicz have forgotten something vital: to put real people into this story. Where past heroines - Juliette Binoche in *Blue*, Irene Jacob in *The Double Life of Veronique* - were tortured, touching souls grappling with the tragicomic of everyday life, no one in *Red* lives and breathes except as illustrations to a thesis. That thesis is: Everything, for good and ill, connects.

Trintignant's Judge is the sacred and profane side of our Neighbourhood Watch epoch: satanic, bs snoots; God-like, he can confer happy endings. Jacob's leggy, open-



A too, too neat last testament from Krzysztof Kieslowski: Irene Jacob in 'Three Colours Red'

Cinema/Nigel Andrews

At the end of the rainbow

hearted model is a sort of Miss Perfect Human Communion 1994. And the setting is Geneva, world capital of brokered harmony. In the Kieslowski canon the jagged realities and loose nerve-ends of *Blue*, and the song-without-end mysticism of *Veronique*, have been put away for this too, too neat last testament. *Red* shows that even lives that do not naturally connect can be forced into harmony by a little hi-tech hot wiring mixed with supernatural benison.

But every film industry likes to compel human unions when it cannot generate them naturally. Each film this week is a variant on that oldest coercive formula of all: Boy Meets Girl.

Nicholas Kazan's *Dream Lover* is a directing debut by the screenwriter of *Ruby Heart* and *General of Fortune*. So we expect a few risings amid the amatory fol-de-rol. Boy (James Spader) meets girl (Madchen Amick); then boy starts to wish he had not met girl when Amick shows signs of deceit, infidelity and a hidden past. Boy ends up in a mental asylum hatching murder plots.

While ambiguity thrives, the film has a wicked wit. Kazan lets Spader get over more lost amid the chic

white spaces of his home and office - he is an architect (but, ah irony, not of his own destiny) - while Amick's dream-dream beauty becomes ever more sinisterly blighted and iconic. For 80 of its 103 minutes, we are guessing, fretting and chewing the nearest set of fingernails. But the ending is a disaster: a surrender to thriller cliché that should be stamped like a black spot on Kazan's directing CV, to warn future employers.

In Rory Kelly's *Sleep With Me*, boy (Eric Stoltz) meets girl (Meg Tilly); boy marries girl; boy then discovers that second boy (Craig Sheffer), his longtime friend, has raging passion for girl. We move into a Jules and Jim syndrome, California-style, in which kooky triangular fun alternates with moments of semi-murderous intent.

Six scriptwriters, including Neal Jimenez (*River's Edge*) and Roger Heddon (*Boyz n the City* and *Boyz n the Hood*), each worked at different story sections which explains why the film feels like a game of consequences played out by the students of a creative writing class. Some innocent seeming scenes are sharp as a paper's edge. Others, notably the rambling "confessions" to video camera during a long barbecue sequence, are as blunt as yesterday's writing ideas that you balled up and threw into the WPB.

THREE COLOURS RED (15)
Krzysztof Kieslowski

DREAM LOVER (18)
Nicholas Kazan

SLEEP WITH ME (18)
Rory Kelly

FLESH AND BONE (15)
Steve Kloves

IT COULD HAPPEN TO YOU (PG)
Andrew Bergman

Do watch, though, for a funny cameo by Quentin Tarantino as a party guest deconstructing *Top Gun* as a gay fable.

As for *Flesh and Bone*, what ever high-concept story conference produced this? Boy (Dennis Quaid) meets girl (Meg Ryan). Boy, we learn, is the grown-up ex-employee of a violent burglar father (James Caan) who shot to death the girl's family when she was a baby. So the stage is set - or the flat, moody, infinite Texas landscape - for a flat, moody, infinite film. The slow incubation of revenge shares screen time with the grimly inert

"larve" story at the centre.

It feels like a bad O'Neill play staged by a community theatre company: one of those outdoor productions where the audience has to keep moving its chairs around. Now we are watching everyday small-town life as it is clumped through by Quaid, a man of few words and none of them interesting. Now we are out in the cornfields with Ryan, wondering why the talented star of *Sleepless in Seattle* took on this rewardless, one-note role. Ah, yes; of course. She is married to Quaid.

Dynastic connections are important in Hollywood. *It Could Happen To You* is a romantic comedy starring Nicolas Cage, nephew of Francis Coppola, and Bridget Fonda, daughter of Peter, and directed by Andrew Bergman, son of Ingmar. If only.

Ingmar should have taken over this film and given it teeth and mania. Boy (police) meets girl (waitress). Boy, in lieu of tip, promises girl half whatever he wins on a lottery ticket. Boy wins lottery. Boy wins girl. Boy's wife (Rosie Perez) promptly goes berserk, which provides the only comedy in a film so thick with anodyne, lolling romance that by the end we are crying out for one of those murders so generously on offer in the week's other movies.

elusive sounds and colours, we needed more palpable structure, less stop-go. Probably Russian ears can fasten more quickly upon the ghosts of traditional tunes, and maybe discern a development that remained opaque to the rest of us.

As a matter of fact the largest faction in the audience was Japanese, drawn presumably by Ozawa. He conducted a scrupulous Beethoven "Pastoral" too, tame in the peasants' Scherzo but limp by the stream: pleasant, unmemorable.

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Concert/David Murray

Rostropovich plays Shchedrin

the double sense of intimating things close to the composer's heart, and of being specifically conceived for Rostropovich's rare powers. The solo instrument is rarely silent, but mostly muted, even in the huge cadenza that leads to the Finale. The full orchestra is used very sparingly; the most prominent sounds are those of three soft, intertwined

flutes - and of all the other cellos, generally divisi.

A solo recorder lends a pastoral note, for Shchedrin is thinking of his childhood in the sleepy tiny little place of Alexin on the Oka, in Tolstoy country. Most of the material suggests shepherd's songs and peasant rounds, mused and rhapsodised over by the cello with spectral orchestral echoes. Toward

the end, quite unexpectedly, the heavy brass come to angry life with rava-tat fanfares: war gripping the countryside, perhaps?

Rostropovich wrung "meaning" from every phrase, of course, and we listened compulsively. But despite the best efforts of the conductor Seiji Ozawa, the score sounded awkwardly diffuse for a 37-minute piece: amid so many

Theatre in London

Alice's Adventures Under Ground

Back we go into the nursery, into the place where we now analyse childhood enchantments in context of disenchanting knowledge of adult life. Can there be one simple reaction to *Alice's Adventures Under Ground*, Christopher Hampton's new adaptation of Lewis Carroll's writings and aspects of his (i.e. Charles Dodgson's) life? On the one hand, since this *Alice* is full of episodes from those classic books, it is a bracing dip back into a sane child's discovery of the nonsensical grown-up world. On the other hand, it is a disturbing study of the stammering, polite, scholarly Dodgson's melancholy fascination with little girls.

Hampton means, I take it, to examine Carroll's creativity in terms of what Edmund Wilson called "the wound and the bow": the wound, in this case, being Dodgson's paedophilia inclinations, the bow being the tales he told to his listeners. The wound/bow theory proposes that the spot where some artists are psychologically vulnerable is precisely what gives them their creative genius. In *Martha Clarke*, there are only five actors, and the overlap between little Alice Liddell's real world and the dream world that Dodgson creates for her is considerable.

Hampton's view of Dodgson/Carroll is compassionate - too much so. The bow only interests him as far as it reveals the wound, and many of the books' multi-faceted quotations are so placed that we read them in terms of Dodgson's private feelings. "Seven and a half

Uncomfortable sort of age. If you'd asked my advice, you'd have left off at seven." We also watch Dodgson start to cry as he slowly unbuttons little Alice's dress.

But Carroll's own mind, for all its pathos, is weak tea beside the intoxicating concoctions of his tales. Though *Alice's Adventures Under Ground* is sensitively shaped, its eventual thrust is merely sentimental. And sentimentality, surely, is wrong for the man who made Alice cry out "You're nothing but a pack of cards!"

Robert Israel's nursery set is eloquent: one look at its rocking-horse, its white wells, its large dark looking-glass above the mantel, and we are prepared for meanings both surreal and psychological. John Carlisle, Gabrielle Lloyd, and Joseph Mydell play a marvellous range of supporting roles. Martha Clarke has them act with a fine dash of exaggerated intensity.

Sasha Hanaou would be an ideal Alice - grave, focused, precise, responsive - if she did not gabble rapid lines. Michael Maloney (despite overdoes of vocal virtuosity) beautifully creates a Carroll/Dodgson of immense courtesy, birdlike staccato head movements, and eyes both burning and pleading. He is adult among children, child among adults. Judiciously, Hampton and Clarke have him play his own Dormouse.

Alastair Macaulay

In repertory at the Cottesloe Theatre, South Bank, into 1995.

'Romeo' from Tel Aviv

The large sculpted horse that is the only prop in Rina Yerushalmi's production of *Romeo and Juliet* looks rather startled - as well he might. As a symbol of escape, he is to carry the burden of the tragedy on his back: Romeo and Juliet meet on him, act out the balcony scene on him, and cling to him desperately as things go wrong. It is a simple device, yet a surprisingly eloquent one, and typical of this beguiling production from Tel Aviv.

This, the second *Romeo and Juliet* in the *Everybody's Shakespeare* season at the Barbican, is very different from the stark German production that launched the festival last week. Where the German production on the main stage was long and large scale, the Israeli one, staged in the Pit, is intimate and condensed, where that production focused on the confrontation in the play at the expense of the romance, this one emphasises the theme of love, at some cost to the violence; and where the first one created a bleak and harsh world, the second is soft, beautiful and sometimes bewildering.

The mood of the piece even seeps out into the foyer. As the audience collect their tickets, a pair of masked lovers wander among them, the looking rather lost. Inside, half-masqued actors in black cloaks pad about the auditorium, smiling tantalisingly at the audience and addressing them, somewhat mysteriously, in Hebrew. Soft music and subtle lighting suffuse the theatre in the languorous atmosphere that will permeate the production.

Yerushalmi's intent, as she explains in the programme, is to use the language of theatre to capture the intoxicating feeling of being in love. She builds to some extent on *commedia dell'arte*, which helps to establish the mischievous, unwise mood of her production.

The actors, dressed as a group of strolling players, are inspired by the Chorus to perform the play and act out the opening brawl in playful spirit. As they and the audience are sucked into the story, however, the mood changes.

Once Romeo and Juliet have met, the play is compressed to the main moments. The central Romeo and Juliet remain on stage while other members of the cast speak their lines or perform their actions. This suggests the engulfing nature of love and its ability to distort perception. It works wonderfully in places. As the couple part after their night together, the main Romeo and Juliet stand wrapped around each other in mute adoration, while another couple speak their thoughts. And when Juliet visits Friar Laurence for the potion that will put her to sleep, four actresses creep around the stage in the flickering light, each totally wrapped up in her task. This may sound bizarre, but on stage it works, emphasising both the universality and the loneliness of passion.

There is a price to be paid for this conceit. Sometimes it is confusing, sometimes it just seems tricky and throughout it sacrifices the continuity of character that would help you empathise with Romeo and Juliet and experience their tragedy. The production also gives little hint of danger - the fight between Tybalt and Mercutio is a rather stagey affair. But there are some purely enchanting moments - to portray the ball, for instance, the actors simply file softly onto the stage carrying sparklers and surround Juliet in flickering light - and the whole production is performed with such charm, wit and gentleness by the Itim Theatre Ensemble that it is hard to resist.

Sarah Hemming

Continues to November 12 at the Pit (071 638 8891).



ATHENS

Megaron Tonight, Sat: staged production of Poslanec's La vox humana, starring Jeanne Ploou. Sun: first of five guest performances by Bolshoi Ballet. Nov 18: Sherril Milnes song recital. Nov 21: François Le Flou (01-728 2333/01-722 5511)

BOLOGNA

Teatro Comunale: Mon: Roberto Cominetti piano recital. Next Wed (Palazzo del Congressi): Lindsay Kemp dance programme. The opera season opens on Nov 28 with a new production of Rossini's *Il turco in Italia* (No telephone bookings. Information: 051-523999)

GENOA

Teatro Carlo Felice Tomorrow, Sat: afternoon: Yoram David conducts works by Shostakovich and Dvorak, with cello soloist Mischa Maisky. The opera season opens on Dec 2

LONDON

THEATRE

● True West: Matthew Warchus directs Sam Shepard's drama about two battling brothers in the Mid West. Opens tonight for a three-week run (Donmar Warehouse 071-369 1732)
● The Tale of Lear: Suzuki Company of Toga presents its Japanese version of King Lear tonight, tomorrow and Sat, as part of an international Shakespeare season. Nov 16-19: Peter Sellers' Chicago production of *The Merchant of Venice* transports the play to Venice, California, a turbulent melting pot of racial diversity (Barbican 071-638 8891)
● Hamlet: the Globe Theatre has re-opened as the Gielgud with Peter Hall's new production of Hamlet, starring Stephen Dillane, Michael Pennington, Donald Sinden, Gwen Taylor and Gine Bellman (Gielgud 071-494 5085)
● Three Tall Women: Edward Albee's critically-acclaimed Pulitzer Award-winning play stars Maggie Smith, Frances de la Tour and Anastasia Hille, directed by Anthony Page. Now in previews, opens Nov 15 (Wyndham's 071-369 1736)
● The Prime of Miss Jean Brodie: Patricia Hodge takes on the role of the formidable schoolteacher whose mix of romance and wilfulness inspires her pupils (Strand 071-930 8800)
● A Passionate Woman: Ned Sherrin directs a new production of Kay Mellor's play, first seen at the

West Yorkshire Playhouse last year. Stephanie Cole stars as the housewife whose passion for life breaks out to the horror of her family. Just opened (Comedy 071-369 1731)

● Moscow Stations: a one-person play, starring Tom Courtenay, inspired by Venedikt Yerofeyev's acclaimed modern Russian tale about an alcoholic who stumbles and dozes his way through a series of surreal adventures (Garrick 071-494 5085)
● The Seagull: Judi Dench's Arkadina heads a splendid cast in Pam Gems' new version of Chekhov's play about disappointed aspirations. In repertory at the National with *The Devil's Disciple*, Bernard Shaw's 1897 satire on melodrama, and *Racing Demon*, David Hare's play about tensions in the contemporary Anglican Church (National, Olivier 071-928 2252)
● She Loves Me: the charming 1963 Mesteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Ballet gives the first performance tonight of its Ashton celebration, including a new production of *Daphnis et Choe* designed by Martyn Bainbridge and conducted by Bernard Haitink (repeated Nov 11, 14, 16, 21, 28, 30). Anthony Dowell's new staging of *Sleeping Beauty* can be seen on Nov 18, 19, 23 and 26, with further performances in December. The Royal Opera has *Roméo et Juliette*, staged by Nicolas Joel and

conducted by Charles Mackerras, with cast led by Roberto Alagna and Leontina Vaduva (Nov 12, 15, 17). A new production of *La traviata* opens on Nov 25 (071-304 4000) Coliseum English National Opera's current repertory consists of *Ariadna auf Naxos* starring Jane Eaglen, and Nicholas Hytner's staging of *Die Zauberflöte*. The next new production is *Khovanshchina*, opening Nov 24 (071-836 3181) Sadler's Wells Northern Ballet Theatre presents Christopher Gable's touring production of *Cinderella*, music by Philip Feeney. Daily except Sun till Nov 19 (071-278 8918)

CONCERTS

South Bank Centre Tonight, Sun: Nikolaus Harnoncourt and the Philharmonia Orchestra bring their cycle of Beethoven symphonies to a conclusion. Tomorrow: Yuri Tsimkanov conducts RPO in works by Berlioz, Rakhmaninov and Grieg, with piano soloist Nikolai Demidenko. Tomorrow (QEH): Birmingham Contemporary Music Group presents Stockhausen's *Momenta*. Sat, Mon: Maurizio Pollini plays the Schumann Piano Concerto with the London Philharmonic. Sun (QEH): Chelsea Opera Group presents concert performance of Smetana's *The Brandenburgers* in Bohemia. Tues: Igor Oistrakh plays the Tchaikovsky Violin Concerto with the Brno State Philharmonic Orchestra. Tues (QEH): Academy of St Martin in the Fields plays baroque music. Wed: Bulgarian State Female Choir. Wed (QEH): Elkie Brooks. Wed (Purcell Room): Leontyne Price introduces recordings and films of her career (071-928 8800)

Barbican Tomorrow, Markus Stenz conducts London Sinfonietta in the first of a series of Schnittke concerts. Sun, next Tues: Mstislav Rostropovich, Yuri Bashmet and Gidon Kremer join London Symphony Orchestra in an all-Schnittke programme (071-638 8891)

MADRID

Teatro Lirico La Zarzuela A zarzuela double-bill, consisting of Tomas Breton's *La Verbena de la Paloma* and Federico Chueca's *El Bateo*, opens on Sat for a three-week run (01-429 8225)

MILAN

THEATRE The third European Theatre Festival takes place between November 16 and December 18. It opens with Bob Wilson's Paris production of Virginia Woolf's *Orlando*. The Piccolo Teatro presents a new Strehler production of Marivaux's *The Island of Slaves*. The UK is represented by the Royal Shakespeare Company (Henry VI directed by Katie Mitchell) and the National Theatre (Christopher Hampton's new Lewis Carroll adaptation, *Alice's Adventures Under Ground*, directed by Martha Clarke). Other visitors include companies from Berlin, Stockholm, Barcelona, Cracow, St Petersburg, Budapest and Bucharest (02-861897)
LA SCALA Tonight: Kenneth MacMillan's *Manon*. Nov 14, 16, 17: Riccardo Muti conducts the Scala orchestra in a Mozart programme, with piano soloist Murray Perahia. Nov 21:

Teresa Berganza. Dec 7: opera season opens with *Dia Walküre* (02-7200 3744)

PRAGUE

Rudolfinum Tonight, tomorrow: Jiri Bělohlávek conducts Czech Philharmonic Orchestra in works by Favel, Hummel and Hindemith, with bassoon soloist Frantisek Herman. Tues: Bohemia Saxophone Quartet. Next Wed: Czech Chamber Orchestra plays works by Martinu, Reicha, Dvorak and Janacek, with cello soloist Mikael Ericson (02-2489 3352)

ROME

Vladimir Spivakov conducts the Orchestra dell'Accademia Nazionale di Santa Cecilia on Sat, Sun, Mon and Tues in a programme of Vivaldi flute and violin concertos. The orchestra's programmes in the pre-Christmas period features Arturo Bonucci and Cecilia Gasdia as soloists, and conductors Christian Thielemann, Gennady Rozhdestvensky and Carlo Maria Giulini. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

TURIN

Teatro Regio A new production of Donizetti's *La fille du régiment* opens next Tues, conducted by Bruno Campanella, staged by Luca Ronconi and sung in French by a cast including Eva Mei/Laura Claycomb and Giuseppe Sabbatini/Jorgs Lopez Yanez. Repeated Nov 18, 20, 22, 23, 24, 26, 27, 29, 30 (011-8815 241)

ARTS GUIDE

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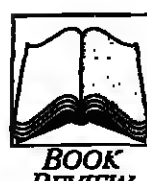
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NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730.

Trapped in a protectionist world



The world is seeing a new breed of plutocrat. Men of vast wealth don the mantle of outsiders struggling nobly on behalf of the little people. In the US, there is Ross Perot. In Italy, there is Silvio Berlusconi. Now there is the Anglo-French Sir James Goldsmith, recently elected to the European parliament on an anti-Maastricht and anti-Gatt platform.

Sir James is not just a talented businessman who has accumulated a fortune. He sees himself as a philosopher. "Global free trade, intensive agriculture and nuclear energy" are, along with the modern welfare state and Maastricht Europe, the main targets of his assault. This unholy trinity has "profoundly destroyed our social stability". They are also "pure products of the enlightenment and as such are venerated by modern conventional wisdom", the latter synonymous, for Sir James, with error.

The book takes the form of conversations with Yves Messarovich, editor of the economics section of *Le Figaro* newspaper. Messarovich asks hard questions. In return, Sir James pours forth a torrent of opinions. He is against the Gatt, intensive agriculture, nuclear power, the universal welfare state, the Maastricht treaty, the technocratic "nomenklatura" that runs Europe, science "separated from the ethical and the spiritual", and the enlightenment.

He is in favour of "families, communities, cultures and traditions": regional free trade among countries that "are reasonably similar in terms of development and wage structures", with "mutually beneficial" bilateral agreements between them; a Europe of nations; a common (but not single) European currency; a social safety net; and participatory democracy.

It is tempting to dismiss all this as the vapours of a self-publicising crank. That would be a mistake. These views matter: first, because they articulate a perfectly understandable dismay at the modern world;

THE TRAP
By James Goldsmith
Macmillan, £7.99, 214 pages

second, because a bit of what he says makes sense; third, because he also offers dangerous solutions that may attract an army of adherents; and, finally, because he has the means to ensure his ideas will not go away.

Take his assault on free trade. Sir James argues that "the damage [Gatt] will inflict on the communities of both the developed world and the third world will be intolerable". For the former, the peril is mass unemployment as "4bn people enter the same world market for labour and offer their work at a fraction of the price paid to people in the developed world". But, he argues, "the application of Gatt will also cause a great tragedy in the third world".

Yet the main cause of unemployment in industrial countries is not trade with the developing ones. Such trade has merely added something - there is no agreement how much - to the pressures created by technology upon a rigid labour market. It is also untrue that labour costs are decisive in determining competitiveness. Differences in labour costs reflect differences in average productivity between countries. Nor are these differences surprising: investment per person in Germany, for example, is 25 times as large as in China, which is why Chinese labour is cheap.

Protection, even of labour-intensive manufacturing, is a grotesquely inefficient means of promoting employment. What is too rarely understood - it is not by Sir James - is that a tax on imports also taxes exports. Import-competing industry would expand, but export industry would shrink. Even in import-competing industry, labour-replacing investment would continue and the tendency towards a steady decline in the jobs supplied by manufacturing would in no way abate. This depends on the growth in demand for manufactures, on the one hand, and productivity increases, on the other.

Above all, if we are concerned about unemployment and the distribution of the gains from growth, the best and most politically honest policy is direct, rather than indirect, assistance to the workers. The combination of greatly improved education and training, generous employment subsidies and income transfers is both the best and the right policy. It is superior to protection, except politically.

More surprising than arguments for protection in industrial countries is the view that free trade threatens the third world, too. "It is the elites who are in favour of global free trade. It is they who will be enriched," asserts Sir James. So the industrial countries can pull up the drawbridge against third world exports in the comfortable knowledge that it is thereby, doing the poor good.

For the Commission, the challenge has been to resist pressure from governments to approve large subsidies for ailing national carriers to help them cope with liberalisation. The Commission agreed this year that financially troubled flag carriers should be allowed one last injection of state funds only where it was tied to a meaningful restructuring programme.

But Brussels since appears to have capitulated to the big state carriers and their government owners. In July alone, the Commission approved state aid totalling \$7.1bn to three airlines including Air France, TAP of Portugal and Olympic Airways of Greece. These aids were equivalent to 45 per cent of the total losses of \$15.6bn that western airlines have accumulated on their international scheduled services in the past four years.

Seven airlines - British Airways, KLM, SAS, Air UK, Maersk, TAT and British Midland - and the British government are now contesting the Commission's approval of a FF2.2bn state aid package for Air France. The subsidy is "grotesque", says Sir Michael Bishop, the British Midland chairman. "It is almost equal to the entire losses made by world airlines last year".

But subsidies are not the only source of friction. There has been a bush war in France

Martin Wolf

Europe's airline barons are putting up a fight. The loss-making flag carriers, and the states that own them, are proving as determined to protect themselves from market forces as the European Commission is to unravel the closed and subsidised airline industry.

The result is a game of play end counterplay, as governments try to delay the introduction of competition and extend the life and amount of state subsidies, ahead of the complete opening of European skies in 1997.

The Commission launched its three-stage liberalisation policy in 1986, forcing European governments to abandon the heavy regulation that had protected their carriers from competition, but kept many air fares artificially high.

When deregulation is completed in three years time, all EU airlines will be able to fly wherever they choose within the single European market, and operate internal services in other EU countries. The Commission is also proposing to break up the ground handling monopolies at many European airports.

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Struggle at the airport gates

Paul Betts on the row over state aid for airlines ahead of the complete opening of Europe's skies in 1997

over the opening to competition of Orly airport, south of Paris.

The French transport ministry, last month, limited the total number of take-offs and landings from the airport, which is a stronghold of Air France and its domestic partner airline, Air Inter, to the current level of 200,000 flights a year, on environmental grounds. Many in the industry suspected the motive was to prevent any rapid expansion of competition at Orly.

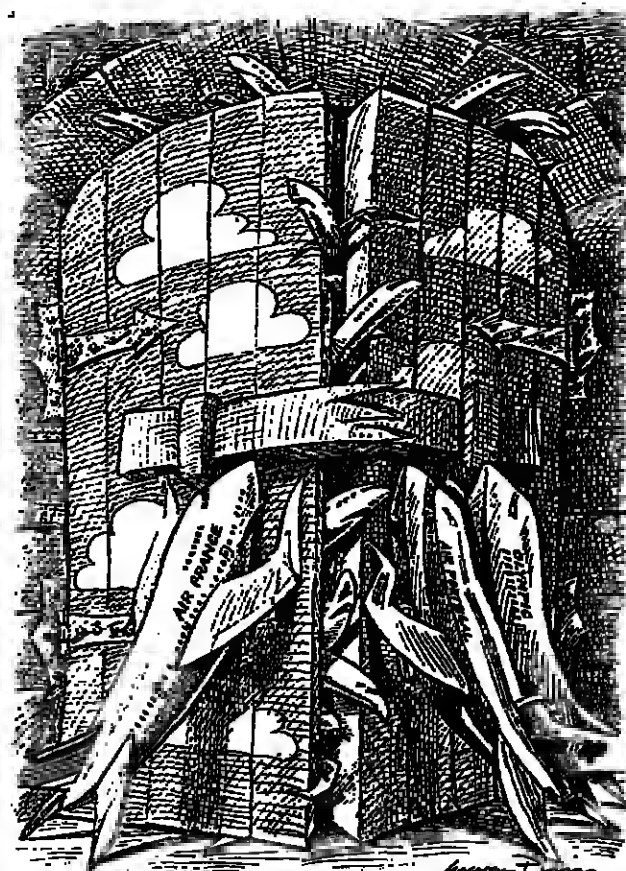
The European Court of Justice recently ordered the French government to allow other airlines immediate access to the lucrative domestic routes to Toulouse and Marseilles that have long been the monopoly of Air Inter. The transport ministry responded by announcing that competing services could only start in January.

In June, the French government was forced to grant rights to British Airways and its French affiliate, TAT, to start flying between Orly and London. This dispute almost blew up into an all-out confrontation with the British government and the European Commission. And even after reluctantly agreeing to the Orly flights to London, the French government imposed a cap of four daily services on the route.

Undeterred by these setbacks, the government this month frustrated KLM's plans to start services between Amsterdam and Orly by refusing to grant the Dutch carrier landing rights, prompting KLM to ask the European Commission to intervene.

The French transport ministry says its aim is to achieve fair and healthy competition, but concedes that competition on these routes would cut Air Inter's market share and aggravate losses at the airline.

Last month, Air Inter warned of expected losses of about FF100m this year. Its partner, Air France, is engaged in a restructuring plan to cut losses of FF8.5bn last year and



return the group to profit by 1997.

"The problem is not technical, but political, in the sense that every French minister of transport has for so long considered himself the minister of Air France," said Mr Lotti Belhassine, president of the small French independent carrier Air Liberté. "The French government has no right to impose additional hardship on its citizens by avoiding competition, which is here to stay. There is still a feudal system in France, but the writing is now on the wall."

The stakes are high not just for Air France and other state-owned carriers, but also for the European Commission and its efforts to liberalise European air transport.

There has been a rush of alli-

ances and partnerships between large and small carriers in Europe to strengthen their hand in a deregulated market. But many governments are proving reluctant to give up sovereignty over their airspace while they are funding inefficient national carriers, which are important sources of employment and political patronage.

In addition, government subsidies to European national carriers are running at \$10m a day, according to Mr Herman De Croo, chairman of the European Commission's independent committee of "wise men". Set up last year, the committee's brief is to draw up recommendations on the future of the European airline industry. "The tragedy of it all is that when the economy is improv-

ing, air transport is on the upswing, and most big airlines are finally making money, a hard core of state-owned majors appear unable to take any medicine at all," notes Mr De Croo.

The danger is that a two-class airline industry will emerge in Europe. "The first involves airlines which have had to solve their problems on their own: the second includes airlines which continue to defy the laws of economics and have enjoyed a bumper year for subsidies," says Mr Robert Ayling, managing director of British Airways. For the BA executive, state aid is a fact that the Commission has so far "dramatically failed and done lasting damage to its reputation".

A Cranfield University study on airline efficiency confirms that privately owned carriers are performing best in Europe while state-owned carriers are at the bottom of the league. In his legal challenge against the Air France subsidy, Mr Brian Mawhinney, the UK transport secretary, emphasised that government handouts removed the incentive for state-owned airlines to become efficient and adopt a sound commercial approach.

Even if the European Court action does not succeed in overturning the Commission's approval of the Air France subsidy, it has unsettled the regulators. "If nothing else, this legal challenge is likely to stiffen the Commission's spine and toughen its attitude over future applications for state aid," one Brussels official said. The consumer is also emerging as a force for change in European air travel. "We used to think that liberalisation would create the environment to change," said one airline executive. "We now believe the customer will. The customer has less loyalty to flag-carriers than governments have."

And despite the last ditch resistance from the barons, the industry does seem, finally, to be getting the message. As Mr Pierre Jeannot, the director general of the International Air Transport Association (IATA), told last week's annual meeting of the 222 member airline trade organisation: "The need for profitability is paramount. Without it air transport will either die, as did maritime passenger transport, or become a political football in a game of subsidies, as with the railways."

LETTERS TO THE EDITOR

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Whole new meaning in Peter Pan

From Mr H L Benjamin.

Sir, Reading the arts and entertainment pages of the FT these days is to enter a whole new world.

As a child, I was taken regularly around Christmas time to see the play of *Peter Pan*, which was a wonderful afternoon of escapism for us all.

Of how much more it had to offer have only now been made aware. The hook of the pirate captain was a palatial symbol, says Jackie Wulfschlaeger (Arts: "The truth behind Wonderland", October 31). No mention is made of the Red Indians, but they each had a tomahawk, did they not? Later, I was taken to see *Treasure Island*, which I equally enjoyed, completely missing, I suppose, the significance of Long John Silver's wooden leg.

Once one catches on to the idea, one's horizons are limitless. Contemplate the skyline of any modern city: the mind hobbles at Canary Wharf! H L Benjamin, 22 Shrewsbury House, Chesham Walk, London SW3

Better than good works

From Dr Ilse Kracke.

Sir, James Morgan got it all wrong in his article about presidents and cardinals ("All the president's cardinals", November 5). It was precisely Martin Luther who emphasised the importance of belief, not works. He had observed how "good works" were done by many people just to earn themselves a little throne in heaven, not in order to help others, and he detested the then fashion to pay others to do the "good" works for you in order to achieve that aim. All that really mattered was believing in Christ's word - all the rest would follow.

To start from the wrong historical premises would make one have grave doubts about the conclusion in the article... Oh, Financial Times, stick to your finances! Dr Ilse Kracke, 48 Druid Woods, Bristol BS9 1SZ

Quest for monetary credibility

From Mr Daniel P McLaughlin.

Sir, The Bank of England appears to have greater weight in the setting of interest rates, a change designed to enhance the "credibility" of monetary policy in the UK ("Bank reports improved outlook on inflation", November 2). The search for "credibility" also extends to the idea of a "pre-emptive" rate rise, designed to tighten policy at an early stage in the inflation cycle.

Ultimately, the success of the new policy regime will be judged by the path of inflation over the next few years, but one can also form an immediate impression by examining any change to inflation expectations wrought by the regime shift.

Fortunately, a good proxy for expectations of future UK inflation is at hand, in the yield difference between nominal bond yields and the real yield as paid on index-linked stocks.

Unfortunately, the evidence to date suggests the market has yet to be convinced that inflation is well and truly under control. The inflation rate implied by the current yield spread between index-linked and nominal bond yields is some 4.65 per cent, against 3.50 per cent in January. Moreover, this implied expectation is no different

now from what it was on September 12 (the date of the first "pre-emptive" tightening).

Perhaps most worrisome of all for the Bank of England is that the level of inflation expectations is virtually twice that of its own forecast of 2.5 per cent. Presumably, true "credibility" will have been achieved when the two forecasts coincide, ideally with the market expectation falling to meet that of the Bank. Daniel P McLaughlin, head of fixed interest, Riada Stockbrokers, 1 College Green, Dublin 2, Ireland

Mixed message of share option trends

From Mr Brian Friedman.

Sir, Alistair Ross-Goobey (Book Review: "Why pay should be linked to success", November 3) writes that there is no place for conventional share options in executive reward.

The truth of Mr Ross-Goobey's comment is widely recognised among larger companies and an increasing number of them are abandoning conventional share options in favour of restricted share plans for their most senior executives.

Many, however, are retaining share options for second tier management and some are using both share options and restricted share plans

for senior executives. There is a mixed message here. If share options are no longer appropriate for senior executives, why are companies retaining them for lower levels of management?

For the future, I believe more companies will push down the restricted share concept to lower levels of management. Indeed, pioneering companies are already looking at phantom restricted stock plans and even phantom management buy-outs at the business unit level. (A phantom plan is one where the cash reward is designed to replicate the actual share price.)

It is almost a truism to say that the only thing that really

motivates is ownership - the challenge is to create a structure which encourages managers to act like owners while not leading to internal divisions within business organisations.

At present, there is often too much fog between the efforts employees put in and the rewards that are generated under their equity-based incentive plans.

Winning companies will find successful formulae to dispel the fog and to encourage clarity of vision.

Brian Friedman, head of compensation and benefits, Arthur Andersen & Co., 1 Surrey Street, London WC2R 2PS

Fully informed decision

From Mr Tony Young.

Sir, An otherwise excellent article on employee relations in BT (Management: "Bad connections at BT", November 7) was marred by suggestions that "the dispute over flexible working was resolved in a private chat between [Michael] Hopper [BT's managing director] and Tony Young, leader of the NGU".

If I, as general secretary, "resolved" the issue with a private chat, what on earth was the executive council doing at its meetings on September 15 and September 20 (the latter continuing until three o'clock in the morning)? It was debating the resolu-

tion of a major industrial issue, which would otherwise have led to massive disruption of BT's operation. My job was to ensure that the executive was able to come to a fully informed decision.

Further, it was able to do this in the most democratic way, and in the most open of forums. This is how trade unions come to decisions: not over cosy chats.

Tony Young, general secretary, National Communications Union, Graystone House, 150 Brunswick Road, Ealing, London W5 1AW

In other words

From Mr David Edwards.

Sir, Jim Kelly reports ("Electronic tax return spells end for dreaded form", November 7) Mr John Whiting as saying: "We do need to incentivise our system."

This, I understand, will heighten the beneficiaries to be obtained by the electronicisation of our tax returns.

The cost of modifying the English language to accommodate these developments has to be allowed for. Perhaps Dr Marshall of The Oxford Dictionary Group may care to comment. David Edwards, Shenley, The Drive, Woking, Surrey GU24 0JS

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Thursday November 10 1994

The new US prospect

Voting against government is one thing, making it work better is another. The Republican party won its landslide in Tuesday's Congressional elections by campaigning against President Clinton, and against a Democrat-controlled Congress. The far must be that the new rulers of Congress will bring the same negativism to the job of government.

In the course of a mean-spirited campaign, American voters were convinced that they needed a new Congress, and - to a greater extent than many on either side predicted - that is precisely what they got. Republicans will have control over both Houses of the 104th Congress, for the first time in over 40 years.

For many, the results of the election are a recipe for two years of unrelenting legislative gridlock. The Republicans have only won thin majorities in the House and Senate. The Senate filibuster, a weapon the Republicans have recently used so effectively against Mr Clinton, might well return to haunt them. And Mr Clinton, for his part, might decide to follow a Truman strategy of frustrating his opponents with liberal use of the presidential veto.

It was certainly difficult to see the seeds of congressional and presidential bipartisanship in the campaign. But the very size of the Republican victory provides grounds for optimism. With control in their hands, party leaders such as Senator Bob Dole risk finding it is their turn to suffer from electors' frustrations.

Mr Dole, at least, claims to want to use his new position as Senate majority leader to forge bipartisan coalitions rather than frustrate them. He has sometimes done this in the past, but his own presidential ambitions, and his more stridently partisan colleagues - may prevent him from translating this noble aim into practice.

Important casualties

For the rest of the world, the most important casualties of a failure to achieve bipartisan coalitions will be US trade and budgetary policy. Mr Dole faces a test on the first on November 29, when the "lame-duck" 103rd Congress will finally vote on the ratification of the treaty agreed in the Uruguay round of the GATT.

Planning for higher prices

Few things better illustrate the benefits of competition than the recent price war in British retailing. The consumer has enjoyed value for money to a far greater extent than in the consumption-led recovery of the 1980s. Retailers who have kept prices under control have been rewarded with higher volumes and sales values. The wider benefit has come from the powerful restraining influence on prices generally. What is the risk that this virtuous circle may break down?

Producer price inflation is an obvious potential villain of the piece. Yet the fear here may well be exaggerated. The message from Marks & Spencer, which reported interim profits earlier this week, was that its ability to pass on producer price rises is minimal. Other leading retailers have told much the same story. If they are right, producers who face rising prices for raw materials and imported manufactures may simply confront the same choice as the retailers. Either they raise prices and risk an immediate loss of market share, or they join in the competition and hope that increased volume will offset their lower margins.

A more plausible ground for concern lies in the peculiarities of the present disinflationary process. The unexpected price sensitivity of consumers is partly a reflection of recession; also of the stretched state of the personal sector balance sheet after the borrowing binge of the 1980s. Time and the precautionary urge to pay down debt from increased earnings could ultimately lead to a more insouciant consumer attitude towards prices. Yet the most powerful longer-run force threatening the current price discipline probably lies in planning policy.

Price restraint

The present retail price war is to a considerable degree a reflection of oversupply in retail property. This stemmed from a relaxation in the approach to planning consents in the 1980s, particularly in relation to out-of-town shopping centres. Confronted with an unexpectedly liberal environment, big retailers were tempted simultaneously to expand. The result was overdevelopment. An excessive number of new outlets contributed

Mr Clinton will doubtless use his upcoming trade talks in Asia and Latin America to reassure America's trading partners that the country's commitment to free trade has not been denied by recent events. But it is up to Mr Dole to ensure that the treaty gets the required number of Republican votes. Since the "fast-track procedure" for voting on the agreement applies only to the current Congress, a failed vote could signify the death of the treaty altogether. Moreover, it would be the ultimate signal that the US is set to turn inward in the coming years.

Republicans co-operated with Mr Clinton to get the NAFTA treaty passed in 1993. For all the "America firstism" of many a recent Republican campaign, there must be at least even odds that they will do so with regard to GATT. The odds on a serious attempt to reduce the budget deficit over the next two years must be considerably slimmer.

Fiscal proposals

The Republicans' election manifesto in this area, the "Contract with America" published in September, does not bode well. Like many of the party's past fiscal proposals, it is highly specific on popular policies like middle-class tax cuts and a balanced budget amendment, but vague on the point of near-elence on how the one is to be combined with the other.

President Clinton shares the ambition for a middle class tax cut. But he too has shied away from the specifying the cuts in entitlement programmes like Medicare and Medicaid which would be necessary to pay for such a tax cut.

The Kerner Commission on entitlement reform, which will report in December, will probably point to the drastic reforms necessary, to reduce the long-term budget deficit, regardless of any further fall in the tax burden. A Congress which was not born of a campaign as steeped in political opportunism as this one might, just might, have used the commission's proposals as a basis for constructive legislation. It is up to the Republicans to decide whether the new Congress can transcend the negativism from which it emerged.

significantly to the high degree of price restraint that has marked the economic recovery. Under Environment Secretary John Gummer this period of liberalisation is drawing to a close. Last week he declared that the balance must be tilted away from out-of-town shopping centres back to the town centre. Henceforth the emphasis in planning will be on the revitalisation of town centres, the building of communities and reduced dependence on the motor car. Shopping malls on by-passes are out of favour.

Local monopoly Few would quarrel with Mr Gummer's aspiration to enhance the quality of life. But whether his policies will achieve the desired goal is moot point. The first impact of more restrictive planning will be to reinforce the local monopoly of those out of town retailers who have not yet been subjected to additional competition. It will strengthen the hand of smaller retailers in town who have weak buying power, few economies of scale, high fixed costs and thus a poor capacity to offer discount prices. More generally, a restrictive planning policy will tend to favour the inefficient retailer relative to those better able to deal with competition.

Meanwhile the new emphasis on town centre redevelopment raises longstanding questions about congestion and the ability to provide adequate car parking space. While Mr Gummer insists that "people want a sensible balance in the siting of shopping centres", the experience of retailers seems to be that people like using their cars. Either way, if this shift in policy does prove to be more restrictive overall, those retailers and property developers now suffering from the consequences of overdevelopment will be cheering in the aisles. Just as George Brown made fortunes for countless property developers with his 1964 ban on office building in London, so Mr Gummer will have provided large windfall gains to those whose planning consents came through both in time and in the right place.

We are back to the 1960s - or is it the garden-city-minded 1940s? Either way, the consumer will not be a beneficiary.

Believe it or not - and after Tuesday's Massacre of the Democrats, it requires some stretching of the imagination - there are serious people arguing that Bill Clinton is potentially in better shape today than since he became president. More remarkably, some of these people are Republicans, whose joy at their victories in the mid-term elections should be unalloyed.

They draw on the lesson of 1948, when President Harry Truman, saddled with a Republican landslide two years earlier, won re-election by campaigning against the "do-nothing Congress".

The contemporary analogy was provided by a senior member of the Reagan administration on polling night: "If the Republicans were to lead the majorities (in Congress) they would be in trouble. They'd give Clinton a target to run against in 1996 - and though he might not be a skilled chief executive, he sure is a skilled politician. And it is not as if they speak with one voice."

On Tuesday night, even Newt Gingrich, the slash-and-burn conservative Republican from Georgia who stands to be the next Speaker of the House, sounded for the first time a little awed by what lay ahead, promising co-operation rather than confrontation with the White House. He went so far as to speak relatively kindly of his fellow Republican Robert Dole, majority leader in the next Senate who is only occasionally an ideological bedfellow.

The Republican sweep was impressive, with control of the House for the first time in 40 years, of the Senate for the first time in eight, and with at least eight Democratic governors evicted.

Oliver North and Michael Huffington, poster boys of the alienated hard right, lost in Virginia and California and Ted Kennedy won in Massachusetts. But otherwise the cult of famous Democrats was largely intact. Mario Cuomo in New York and Ann Richards in Texas among the governors; Jim Sasser, who might have been the next party leader in the Senate, in Tennessee; Congressman Dan Rostenkowski in Chicago and Jack Brooks in Texas, past and present chairmen of the ways and means and judiciary committees with 78 years in the House between them.

The biggest scalp of all - of Speaker Tom Foley in the state of Washington - was half-hanging from the belt of a Republican novice, awaiting only the counting of absentee ballots.

Almost all the voter tunes were sung from the Republican hymnbook. The promise of less government and lower taxes helped George Pataki beat Mario Cuomo. Referenda on tax-cutting and limiting the terms of elected officials were passed almost everywhere they were on the ballot.

Most Democrats were out-toughed on the crime issue, with Governor Lawton Chiles's survival in Florida over Mr Jeb Bush a rare exception and Mr Cuomo's defeat the classic proof. Conservative hostility to illegal immigration was endorsed comfortably in California. The right-wing Christian lobby failed to return Oliver North, but did well elsewhere. The gun lobby was instrumental in knocking off Mr Brooks in Texas, accusing him of apostasy on gun control.

A constant national strain, most virulent in the south and its borders, was distrust and a dislike akin to hatred of Mr Clinton himself. Democrats lost in all the states to which the president had devoted his energies in the last week of campaigning - Minnesota, Delaware, Michigan, Pennsylvania and Ohio. Mr Gingrich, it appears, made the right strategic decision in turning the mid-term elections into a plebiscite on the presidency.

But the US still must be governed in the next two years and this is where Republican elation is tempered among its more thoughtful members. The party's "contract with America", effectively its election manifesto, lays out a plan and a 100-day timetable for introducing

President Clinton may find a crumb of comfort in his party's heavy defeat in the US mid-term elections, says Jurek Martin

Desperately seeking solace

legislation, but its passage in anything approximating the proposed form may be doubted.

One reason for doubt is resistance to it by moderate Republicans in the Senate (Mr Dole, for one, is still sitting on the fence over term limits). Another is that Mr Clinton possesses a veto and the Democrats enough numbers, if they stick together, to block legislation in the Senate by filibusters, much as the Republicans did in the last session.

Not all will be legislative gridlock revisited. The Republican party's contract demands that the president be given a "line item" budget veto, empowering him to strike out an offending item of spending without throwing out a whole bill. Mr Clinton has no problem with this, since he advocated it in 1993.

Nor will he resist the middle class tax cut demanded by Republicans. This is already in the White House planning stages, though funding it without increasing the federal deficit is another matter.

Welfare reform is a subject on which both parties agree in principle, differing only in detail. Modest healthcare reform initiatives cannot be excluded.

But battles royal can be expected on many other fields - on the proposed amendment to the constitution requiring a balanced budget, for example, and on Republican desires to beef up defence spending. The thorniest problem will be the cutting of federal "entitlement" programmes such as social security and Medicare, where the Republican contract promised "gain without pain".

The conduct of foreign policy, and its economic and trade components, will not be any easier, especially if Senator Jesse Helms of North Carolina, the ultimate arch-conservative, exercises his option to chair the foreign relations committee. The has the choice of agriculture. The new "America First" Republican majority in the House features few conventional internationalists and sentiment against US military excursions overseas or involvement in Bosnia, Rwanda and other distant hotspots has increased on the right, complementing its presence on the left.

Just as serious is the weakening of the old Republican free trade constituency that helped pass the North American Free Trade Agreement last year. If the lame-duck Congress does not approve the legislation to implement the Gatt Uruguay Round in three weeks - and it will do so only if enough retiring members vote with their consciences and defy an electorate to which they are no longer subject - its prospects in 1995 look bleak. Other trade initiatives in Asia and South America, both with summits in the next five weeks, could be still-born unless what are perceived as American interests are aggressively protected.

Even if the political will to co-operate proves stronger than expected, mutual animus is certain to increase because the Republicans will use their majorities to make a meal out of Whitewater. The tangled skein of the first family's investments long ago in Arkansas has been off the political screen for the last few months while the special counsel, Mr Ken Starr, goes about his work. But the hiatus will not last.

Mr Gingrich has already promised a wholesale investigation of "White House corruption". But even his

Clean sweep for the Republicans



Newt Gingrich, next Speaker of the House

Robert Dole, next majority leader of the Senate

Bill Clinton, president

Senate

Democrats 47 seats (formerly 58)

Republicans 53 seats (formerly 44)

House of Representatives

Democrats 204 seats (formerly 256)

Republicans 228 seats (formerly 178)

Other 1 seat

Governors

Democrats 18 seats (formerly 29)

Republicans 31 seats (formerly 20)

Other 1 seat

Figures include some unofficial returns

zeal is likely to pale in comparison with that of Senator Al D'Amato from New York. He is expected to turn his chairmanship of the banking committee into a standing inquiry not only into Whitewater but also into the president's private life and the suicide in the summer of 1993 of Vince Foster, the close Clinton friend and deputy

The US still has to be governed in the next two years, and this is where thoughtful Republicans' elation is tempered

White House legal counsel.

Having helped dispose of Mr Cuomo, the senator's notorious appetite for blood has been whetted. He is likely to find an ally in Congressman Jim Leach of Iowa, another leading Whitewater critic, who stands to inherit the House banking committee from Henry

Gonzalez, the president's staunchest protector. Both panels, it must be assumed, will leak like sieves and arrange for televised hearings with maximum exposure.

Further complicating the immediate future is the polarisation of both parties, if anything more acute among Republicans than Democrats. The House may prove monolithic under Mr Gingrich, but there is an influential fistful of Senate moderates - including Bill Cohen of Maine, Nancy Kassebaum of Kansas, Bob Packwood and Mark Hatfield of Oregon, John Chafee of Rhode Island and James Jeffords of Vermont - with committee seniority and a preference for pragmatic over conviction politics.

It also matters that the country is about to enter another election cycle - for the presidency in 1996. Unless there is some awful Whitewater development that sinks public confidence in him irrevocably, Mr Clinton still looks the likely Democratic candidate. If not him, it will be Vice-President Al Gore, bruised though he was on Tuesday by the Republican sweep in his

native Tennessee. A challenge cannot be ruled out, either from the left or from the grumpy middle represented in 1992 by Paul Tsongas. But at present it appears unlikely to succeed.

The Republicans, however, are no closer to finding candidates for 1996 than they were before the mid-term elections. All the leading suspects are still around, but Senator Dole will be pre-occupied with congressional management and Mr Gingrich has no known presidential ambitions. Senator Phil Gramm of Texas did his cause good by campaigning mightily for Republican candidates and has assembled a substantial war-chest, but his manner turns as many people off as on.

Lamar Alexander, former cabinet member and governor of Tennessee, has been diligently cultivating the grassroots, as have Dick Cheney, ex-secretary of defence, and James Baker, ex-secretary of everything. The bids, more likely for the vice-presidential slot, from three governors returned on Tuesday - Pete Wilson in California, Tommy Thompson in Wisconsin and William Weld in Massachusetts - have gained in value, while the stock of Christie Whitman of New Jersey remains high.

However, the ideological differences between the above personalities could burst at the seams the "big tent" that the party professes to represent. And some proto-candidates may find it easier to get elected to the White House than win the Republican nomination. One who surely cannot win the nomination because of rightwing opposition but has already put down a marker for the moderates by declaring is Senator Arlen Specter of Pennsylvania.

With the main parties divided or listless and distrusted, an independent candidacy in 1996 remains on the cards. Ross Perot has been that his endorsements, generally of Republicans, worked (though not at home in Texas with the defeat of Ann Richards).

Mayor Rudolph Giuliani of New York, a nominal Republican who endorsed Mr Cuomo, would have looked better as an independent prospect in 1996 if the governor had won. Now he may be forced into his destiny by taking on his long-term foe Senator D'Amato in the 1998 Senate race. The political right remains the more fertile ground for independents and libertarians and, as in 1992, that is also not necessarily bad news for Mr Clinton because it will divide the Republican vote.

However, the president cannot afford to sit back and wait. To sacrifice the initiative to the Republican Congress over the next two years would be good for neither his government nor his own political future. He could choose to go crazy, but George Bush's exercise of that power did him no good at all.

Thus the White House watchwords of the moment are of "repositioning" or "re-launching" the presidency. With the economy still in reasonable shape and with foreign policy suddenly fruitful (Haiti, North Korea, the Middle East, Russia, if not Bosnia), Mr Clinton is not without fertile prospects. No less than five foreign trips are on his schedule for next year. If the country, in its isolationist mood, ignores external policy it is a fair bet that Mr Clinton will return to some of the domestic themes that propelled him into office in 1992 - emphasis on personal and community responsibility, tolerance in race relations, for example.

But sooner or later, and all of yesterday's protestations of co-operation notwithstanding, Mr Clinton will surely round on the Republicans running Congress and their record in exercising the power to which they have long been accustomed. And that is why some serious Republicans are worried by Tuesday's results.

For the overriding lesson of the congressional mid-term elections, as it was to a degree in 1992, is that it is far easier to run against somebody or something than for both. Ask the ghost of Harry Truman.

OBSERVER



Clinton landslide

fobbed off with the chamber's vice-president.

Did she feel offended? Maybe. But she must be getting used to this kind of treatment - it's the third successive year she has walked off with the prize.

Soccer heroes

Whatever the outcome of the latest allegations about sleaze in British football, one has to look overseas to find the juiciest scams. In 1983 Hungary uncovered a match-fixing conspiracy, resulting in 260 players and 14 referees being suspended and 75 people convicted of criminal offences. Even that

doesn't quite match the Yugoslav teams involved in a crucial 1979 end-of-season match: the score was 134-1 (a goal every 40 seconds), which would have been an all-time record - but for the fact that a deal had been struck before kick-off.

Gegarbagged

The French may be building barricades to preserve their language from Anglo-Saxon barbarisms - but what about the Germans?

The language of Goethe, Schiller and Boris Becker is in danger of being eroded by influences from beyond Europe's mainland. Gefounded and gementioned - as in "our company was gefounded" (founded) or "will we be gementioned?" (mentioned) - are two newcomers assailing sensitive German ears.

Gemanagered is an old one, as are gehandikapt and gekindnapt. Any suggestions for others? Gebreakfasted, getroubled and gesacked immediately spring to mind.

Muddy machismo

Questioning an Argentine's credential as a political prisoner during the "dirty war" is asking for trouble - particularly if he happens to be the president.

Carlos Menem has filed a libel action against one of the country's

spiciest daily newspapers, the leftist Pagina 12, after its editors cast doubt on his claim to have been tortured under the former military dictatorship. On October 30 the paper quoted former prisoners as saying that Menem - who was arrested after a 1976 military coup ousted president Isabel Peron - was never tortured and that he had cried upon being arrested.

Pagina 12 seems undaunted. "What we have here is somebody who is sick in the head. Before we poked fun at him, but now the jokes are becoming monotonous." Is the printed riposte by columnist Osvaldo Soriano.

Few prominent libel cases ever seem to reach court in Buenos Aires. But given that Menem hopes to be re-elected in 1995, maybe this one might.

In the pink

Another satisfied reader. Last week a rival newspaper reported that Luca Cuman, the Newmarket trainer, used shredded copies of The Times as bedding for his racehorses.

But, he said, if a horse wins a big race, he switches its bedding to the Financial Times - so the winner can read where to put its money. Following the success of Barathean in last Saturday's Breeders' Cup in Kentucky, the bay, whose jockey was clad in pink, is now reported to be enjoying the Pink'un in retirement in Ireland.

Gergantuan problem

For Bill Clinton it never rains but it pours. Now he's been deserted by David Gergen, the shrewd 52-year-old spin-doctor who helped presidents Nixon, Reagan and Bush in many a jam.

Gergen is off to teach at Duke University, where his father was once head of the mathematics department. Clinton brought Gergen, former editor of magazine US News and World Report, into the White House in May 1993 to stop the administration drowning in a tide of disasters. Gergen scored: Clinton's approval rating jumped from 37 to 60 per cent in February this year.

But some prophetic words were printed in February this year by The Economist magazine: "Watch the Gergenometer. When it reads 'jump ship', it should be a good indication of when one consummate insider reckons this presidency has peaked."

At Duke, Gergen will be teaching a course in "governing in today's America". He should sign up the Clintons, pronto.

Outposted

The remarkable economic progress of Humberstone, in the north of England, will be further confirmed today by the final

granting of planning permission and funding for a £500m gas-fired power station at Grimsby.

And last year the Humber estuary shifted more than 60m tonnes of cargo, knocking the Thames off its pedestal as the UK's biggest seaborne trading zone, and putting the Channel tunnel's projected 8m tonnes a year into perspective.

So why choose London for the presentation, which is intended to promote business opportunities associated with a new offshore terminal? Humberstone county council says about 100 people will turn up for today's beano at the Selfridges Hotel, and that far fewer would bother to travel north.

Some confusion here, surely. Those who would travel north - it's hardly a time-zone change - would thus be establishing themselves as genuinely interested in the area. But how many at Selfridges will simply be taking a swift free lunch?

Energetic payer

It must say something about Turkey - but what? - that the country's largest individual taxpayer should be Matild Manukyan, doyenne of Istanbul's madams. Last year she was busy enough to justify a \$722,751 tax bill.

She went along to an Istanbul chamber of commerce prize-giving ceremony for top taxpayers. But instead of receiving her gold plaque from the hands of president Suleyman Demirel himself, she was

Early decision on his successor is unlikely

Caretaker world trade role seen for Sutherland

By Frances Williams in Geneva

Mr Peter Sutherland, the director-general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role as head of the future World Trade Organisation if the contest for his successor remains deadlocked.

Mr Sutherland, whose official term ends in July next year, has stated he will not be a candidate for director-general of the WTO, which is expected to begin work on January 1.

It now appears unlikely that a decision on his successor will be made by early next month, when Gatt members are due to endorse the appointment. This will make it virtually impossible for the new head to start in January.

Although no formal proposal to stay on has yet been made to Mr Sutherland, it is being discussed by trade diplomats anxious to assure a smooth transition from

Gatt to the more powerful WTO. However, some officials hope the decision on the choice of WTO chief can still be made by next month.

A third round of consultations among Gatt members on the appointment will be held in Geneva this week.

Trade officials said yesterday they expected the outcome to be a continued three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has US and Latin American backing, and Mr Kim Chul-su of South Korea who has Asian support.

Although Mr Ruggiero is ahead numerically, the eventual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round of global trade accords, the continued stalemate over the next OECD secretary-general and the

lack of engagement of the US in the WTO race are all seen as obstacles to consensus.

To these must now be added uncertainty over the outcome of the Uruguay Round vote by the US Congress in three weeks' time. A rejection by Congress would certainly kill the WTO, which could not operate effectively without the participation of the world's biggest trader.

Of Gatt's 124 members, only about 30 countries have so far ratified the world trade pact, and they do not include any of the Quad group of leading traders - the US, the EU, Japan and Canada. Most have been awaiting the US decision.

The mid-term elections and the impending Uruguay Round vote have also kept the US out of the active horse-trading that will be a part of an eventual deal.

Congress and Gatt, Page 4
Gatt chief ready, Page 8

Japanese banks condemn rival over savers' lottery

By Gerard Baker in Tokyo

Japan's banking fraternity was divided yesterday when a credit banks' association condemned one of its more ambitious members for launching a lottery to attract new savers.

On Monday, Johnan Shinkin (Credit) Bank offered a savings account that made depositors eligible for a twice-yearly raffle. In addition to the normal interest rate on the one-year deposit, savers were offered the incentive of cash prizes of up to ¥50,000 (\$520).

The scheme was a hit with investors. On the first day, the bank collected ¥100m in deposits. And within hours the bank's anxious rivals had cried foul, accusing Johnan of stealing an unfair march on the rest of the sector.

The banks' objection is that the new account breaches a self-imposed rule that institutions will offer only gifts and not cash bonuses as incentives, and that gifts should not exceed ¥1,500 in value.

Yesterday the banks' grievance was dignified by Mr Keikichi Kato, chairman of the National Association of Shinkin Banks, who issued an unprecedented condemnation of Johnan's action.

He said it was "regrettable Johnan was neglecting the association's voluntary rules".

It is very unusual for a financial institution in Japan to break ranks so unapologetically with its competitors, and Johnan's move may herald a more independent approach by the main banks.

Observers were sceptical of the banks' stated concerns. A more serious objection seems to be that Johnan has found a novel way to offer a higher interest rate to depositors.

The bank calculates that the average customer has a 3.38 per cent chance of winning a prize, and that the overall effect of the scheme is to offer an extra 0.2 per cent interest to savers.

Last month, the last regulations on interest rates were finally lifted by the finance min-

istry, leaving banks free to set their own rates for depositors.

But since the changes, most banks have continued to offer remarkably similar rates, and consumer groups have expressed doubt about the strength of their commitment to open competition.

A finance ministry official said that, since the banks' rule is voluntary, the ministry was not in a position to act. But he added: "It is questionable whether it is appropriate for public-spirited financial institutions to set up lotteries in an attempt to gain deposits."

Johnan was unrepentant yesterday. A spokesman said the voluntary restraint was against the spirit of financial deregulation, since it represented "a form of collusion" among the country's banks to deprive customers of the benefits of freer markets.

He dismissed the row as simply "labour pains" at the birth of a new era in the country's financial system.

Sweden's PM pledges more jobs if voters back EU entry

By Hugh Carnegie in Stockholm

Mr Ingvar Carlsson, the Swedish prime minister, yesterday stepped up his hard-pressed campaign to win approval for Swedish membership of the European Union in Sunday's referendum, promising an urgent government programme to increase employment if there is a Yes vote.

"Immediately after a Yes in the referendum, the government will formulate a programme to promote more sustainable employment in industry... This work will be done in constructive co-operation with the labour market partners," he said in a newspaper article.

Meanwhile, Mr Carlsson and his fellow Social Democratic leaders in Denmark, Finland and Norway issued a joint declaration on Tuesday night asserting that if Denmark's Nordic neighbours joined it in the EU, social democrats would strengthen their influence inside the Union.

The Danish, Norwegian and Swedish governments are led by social democrats and the Finnish Social Democratic party is expected to win a general election next March. Finland has already voted to join the EU and Norway will hold a referendum on November 28.

Pro-EU campaigners have this week urged Mr Carlsson - who celebrated his 60th birthday yesterday - to work harder to win over the many Euro-sceptics in his own deeply split party to help overcome a strong Swedish anti-EU campaign in Sunday's vote.

The left-dominated No side, which some recent polls have suggested is in the lead, has argued that anti-inflation policies steered by right-of-centre governments in the leading EU countries have been responsible for high unemployment within member states.

The No campaign claimed yesterday that entering the EU could cost as many as 340,000 jobs in Sweden, on top of the 575,000 - more than 13 per cent of the workforce - already unemployed.

It said the financial cost of Swedish membership, coupled with the effect of bringing down value-added tax to EU levels, would eventually force the country into deep public sector cuts.

In his article in Dagens Nyheter, Mr Carlsson countered that the EU was committed in its policy document of last year to working towards lower unemployment. Joining the EU would give Sweden financial stability and encourage investment.

"These are the conditions - reasonable interest rates and a more secure investment climate - that create new possibilities to fight against unemployment. It is these conditions that I quickly want to take advantage of after a positive result in the referendum," he wrote.

THE LEX COLUMN

Capitol confusion

The markets' initial reaction to the Republicans' mid-term triumph was euphoria. In many cases, the rationale was little more than the mantra that Republicans are good for business. In a few sectors, the increases were more justifiable. Defence stocks soared on hopes that traditionally hawkish Republicans could halt the decline in military spending. The effective death of the Clinton's healthcare package pushed up drugs stocks on both sides of the Atlantic, even though its demise will do nothing to ease margin pressures caused by the consolidation of the industry's customer base.

Then reality set in. The risk that Republican isolationists could block ratification of the recent world trade agreement - with all the consequent dangers for the world economy - has increased. Most worrying is that prudent fiscal policy could be sacrificed on the altar of political expediency.

With only two years to go before the presidential elections, Mr Clinton and the Republicans could start competing over who can deliver the largest tax cuts. Given that taxes are easier to cut than spending, the budget deficit could once again start expanding. The markets fear that could boost inflation, unsettle bonds and equities and require even larger increases in interest rates.

Any hopes that the elections would reduce uncertainty have been unfulfilled. Indeed, yesterday's erratic movements probably represent a harbinger of greater market volatility brought by the Republicans' victory.

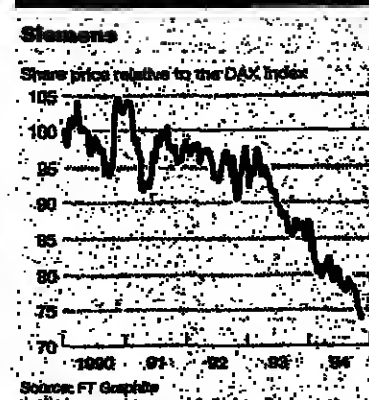
Underwriting fees

There has been a hostile reaction to Mr Paul Marsh's report on UK sub-underwriting commissions from some sections of the City. The current system for raising capital through rights issues suits the City very well. Many institutions and merchant banks fear that the OFT-sponsored report will provide useful ammunition for those seeking to move London towards the New York model for raising equity.

But the report does not question the virtues of the rights issue system. It merely argues that the fixed 1.25 per cent commission paid to sub-underwriters provides them with excess returns. Mr Marsh calculates these by using an option valuation method to establish a "fair" price in each case.

This is based partly on the historic volatility of a particular share price which his critics argue is likely to change during a rights issue. In fact,

FT-SE Index: 3099.6 (+35.8)



Source: FT Graphix

The evidence suggests volatility actually falls.

Other criticisms of the methodology are somewhat undermined by the fact that some aggressive investment banks are using similar techniques to price their risks.

If Mr Marsh's case that there are excess returns looks strong, it is less clear what should be done. The authorities could simply force a reduction in the flat rate, though that would still mean strong issuers were subsidising the weak. Issuers themselves could haggle with their advisers and threaten to go elsewhere. In practice, they do not because they are afraid that their plans will leak out. But maybe the conventional wisdom that impending rights issues must be kept secret needs to be challenged.

Siemens

Given the opacity of Siemens' accounting, it is hard to say exactly what caused the worse than expected fall in pre-extraordinary profits in the year to end-September. But the figures undoubtedly reflect poor performance on its enormous investment portfolio, as well as continuing losses at Nixdorf and mounting price pressures in telecommunications.

Greater segmental disclosure - one for the first time in December - will focus the spotlight on the group's structural and operating weaknesses. The details will highlight the fact that tough rationalisation is necessary if Siemens is to improve its lamentable earnings performance and restore its international competitiveness. So far, its approach to cost-cutting and restructuring looks kid-gloved compared with that of international competitors or even other large German industrial companies. The number of domestic employees fell a modest 7 per cent in the past financial year. The decision to sell the US pace-maker business earlier this year was a step towards defining core businesses, but full-scale restructuring looks as distant as ever.

Siemens suffers from the sheer scale of its liquid resources. They cushion the group from the pressures felt by less well-padded groups. The unchanged dividend shows that Siemens is not contemplating giving the money to shareholders. Investors, for their part, should continue to avoid the stock until there are clearer signs that management is getting to grips with Siemens' notoriously stodgy culture.

Cable & Wireless

Cable & Wireless has traditionally enjoyed a premium rating. Investors have been impressed with its strategy of taking cash from its enormously profitable Hongkong Telecom subsidiary and reinvesting it in start-up ventures elsewhere. Yesterday's bad news from Mercury Communications, C&W's largest such investment by far, raises doubts over whether the premium is justified any longer.

The cost-cutting announced yesterday is certainly necessary to revive Mercury's fortunes, any regulation relief on the fees it pays BT for channel calls over the larger company's network would also be a bonus. But neither will be sufficient to raise Mercury's return on capital, which fell to around 11.5 per cent on an annualised basis in the half-year to end-September, to an adequate level. While Mercury puts its house in order, BT is also cutting costs and new competitors are entering the market targeting Mercury's best customers.

If C&W is unable to earn good returns on cash recycled from Hongkong Telecom, a central factor in preserving its premium rating will be the possibility of breaking up the group. Once the market value of C&W's 57.5 per cent stake in Hongkong Telecom is subtracted, there is little value left in the rest of the group's operations. The snag with this argument is not simply that C&W's management has set its face firmly against such unbundling. It is also partly to off-load the Hongkong Telecom stake might so depress its price as to defeat the purpose of the exercise.

German TV

Continued from Page 1

Europe's multi-media industry, arguing that it was possible for cross-border deals to take place without individual markets being closed off.

"Television without frontiers can only be accomplished if programme suppliers from other member states are not faced with prohibitive entry barriers in national markets," he said.

US stocks fall after gains

Continued from Page 1

most of their gains. London's FT-SE 100 index closed up 35.8 at 3,099.6, while in Frankfurt the Dax index rose 43.03 to 2,096.47.

Wall Street was concerned that discord between the White House and Congress might lead to legislative gridlock, and that a hard-line Republican leadership could block progress on international trade.

Mr Richard McCabe, chief mar-

ket strategist at Merrill Lynch, said: "There is a debate on on Wall Street as to whether Republican control of both houses leads to more legislation that is good for the market, or whether it leads to more deadlock."

Mr Hoey said positive effects from the elections would soon fade. "The stock market is left with all the same issues it had before, in terms of the outlook for the economy and the possibility for more Fed tightenings."

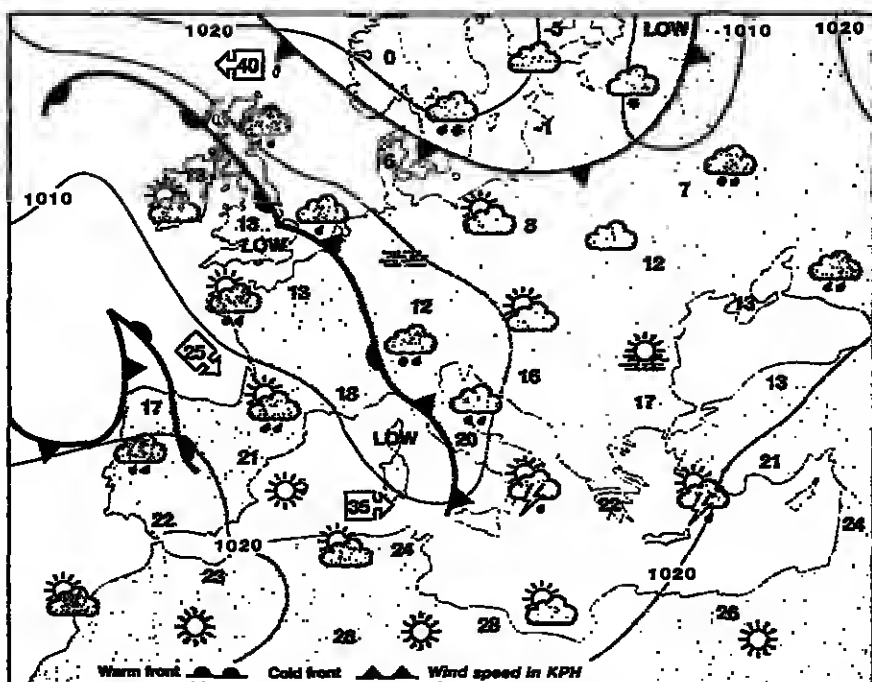
FT WEATHER GUIDE

Europe today

Most of western Europe will remain unsettled with the heaviest rain expected in Scotland, southern France and northern Italy. North-west France and Ireland will have seasonal temperatures and some clearing. Northern and north-east Europe will be wintry. It will stay below freezing north of the line from Moscow to Oslo with strong frost north of Kiruna. It will be settled from the northern Balkans to northern Germany with persistent morning fog and a few afternoon breaks in the cloud. The eastern Mediterranean will be mainly dry with temperatures rising to 18C-22C. Areas around the Black Sea may have thunder showers.

Five-day forecast

The rain over Italy will move east to affect most of the Balkans and Turkey. High pressure settling over the Baltics this weekend will induce sunshine and below seasonal temperatures which will spread from Russia to central and northern Europe. Low pressure arriving from the Atlantic will bring back rain to western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

TODAY'S TEMPERATURES

Madrid	13	fair	13	Caracas	30	fair	21	Madrid	15	Rangoon	33
Cebu	28	showers	13	Frankfurt	13	showers	21	Mayaguez	23	Reykjavik	4
Abu Dhabi	30	fair	11	Geneva	10	showers	21	Manila	23	Rome	19
Accra	31	fair	8	Glasgow	11	rain	21	S. Francisco	14	S. Paulo	14
Algiers	22	fair	27	Hamburg	10	cloudy	21	Singapore	24	Seoul	14
Amsterdam	11	drizzle	18	Helsinki	10	cloudy	21	Stockholm	14	Singapore	24
Athens	19	fair	33	Hong Kong	29	sun	21	Taipei	24	Singapore	24
Atlanta	19	drizzle	12	Honolulu	30	sun	21	Tokyo	17	Singapore	24
B. Aires	25	drizzle	10	Ischia	12	showers	21	Toronto	19	Singapore	24
B.ham	12	cloudy	2	Jakarta	31	showers	21	Toronto	19	Singapore	24
Bangkok	33	fair	24	London	10	showers	21	Toronto	19	Singapore	24
Barcelona	19	fair	22	Luxembourg	10	showers	21	Toronto	19	Singapore	24
				Lyon	13	showers	21	Toronto	19	Singapore	24
				Madeira	23	cloudy	21	Toronto	19	Singapore	24

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of

SAINT-GOBAIN

The undersigned initiated the transaction and acted as exclusive financial adviser to Jefferson Smurfit Group plc in the acquisition.



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هنگامی الاصل

INTERNATIONAL COMPANIES AND FINANCE

AT&T in \$1bn Mexican venture

By Damian Fraser
in Mexico City

AT&T, the US telecommunications group, is to form a \$1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications services in Mexico.

Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from January 1997.

Mexico's telecommunications market is valued at about \$7bn a year.

AT&T said its venture with Alfa would offer a full range of telecommunications services, beginning in 1995, depending on regulatory approval by the transport and communications ministry.

It said the \$1bn investment would be spread over between four and six years.

AT&T is the fourth large US telecoms carrier to announce ventures in Mexico this year.

MCI has agreed to form a company with GF Banacol,

Mexico's largest financial group; Sprint has linked with Iuscell, a cellular company; and GTE has joined forces with GF Bancomer, Mexico's second largest bank, and Visa, a large Mexican company.

All are hoping to enter the lucrative long-distance market.

The alliance between Alfa and AT&T may raise questions about the long-term strategy of Telefonos de Mexico (Telmex), the current monopoly long-distance and local carrier.

Telmex had been widely expected to form a venture with AT&T, with which it

has close business relations. Telmex's share price fell mid-morning on news of the announcement.

Alfa, a Monterrey-based conglomerate with interests in steel, food and petrochemicals, posted sales last year of \$8n pesos (\$2.3bn) and income of \$11m pesos.

One of the company's largest minority shareholders is GF Inbursa, a financial group controlled by Mr Carlos Slim, the chairman of Telmex. GF Inbursa has played down rumours that it might seek to launch a takeover bid for Alfa.

Novo Nordisk falls 6% to Dkr1.2bn

By Hilary Barnes
in Copenhagen

Pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and industrial enzymes producer, fell by 6 per cent to Dkr1.24bn (\$211m) from Dkr1.32bn in the first nine months of the year. The group's net profits fell 7 per cent to Dkr 934m from Dkr1bn.

Earnings per share were reduced to Dkr24.50 from Dkr26.66 last year. But the group forecast that pre-tax earnings for the full year will be Dkr1.92bn-Dkr1.97bn, compared with Dkr1.86bn last year.

A 12 per cent increase in sales so far this year was eclipsed by a faster growth in costs, which reflected expansion in production capacity, the group said.

Sales were up to Dkr9.94bn from Dkr8.84bn, including a rise of 13 per cent by the insulin-producing healthcare division to Dkr6.69bn and by 11 per cent to Dkr2.64bn in the industrial enzymes.

Costs rose 18 per cent to Dkr9.05bn, including tax and net financial items, with the latter increasing Dkr31m to Dkr135m.

The group said it had problems meeting demand for some types of insulin, used for diabetic care, in the US as a result of a temporary closure of a Danish plant.

In addition, there had been delays in bringing a new plant in the US on stream due to US Food and Drug Administration requirements.

Profits recovery at SAS continues in third period

By Christopher Brown-Hume
in Stockholm

The recovery at Scandinavian Airlines System (SAS) continued in the third quarter, enabling the group to report pre-tax profits of SKr1.34bn (\$170m) for the first nine months after a SKr1.13bn loss in the same 1993 period.

The group, half-owned by the governments of Sweden, Denmark and Norway, benefited from cost-cutting, a lower debt burden and a positive trend in its core airline business. Disposal of non-core operations yielded SKr29m in capital gains.

The airline was hit by SKr750m in restructuring costs and a higher aircraft depreciation

charge after a change of accounting methods.

Operating income fell slightly to SKr28.3bn from SKr29.2bn, but costs fell further to leave the group with an operating profit before depreciation of SKr2.56bn, compared with SKr1.80bn.

The figures benefited from a 7 per cent currency-adjusted rise in traffic revenues and higher yields. The traffic increase was felt mainly on the company's European and intra-Scandinavian routes.

The group's cost-cutting programme, involving the loss of 3,000 jobs, is also beginning to have an impact.

The third factor in the airline's revival has been sharply reduced interest costs after

cutting its net debt to SKr6.98bn from SKr12.89bn since the start of the year.

The balance sheet has been strengthened by the disposal of SAS Leisure, a tour operator, SAS Services Period, a catering unit, and Dimer Club Nordic. These generated more than SKr30m in cash flow.

The third quarter brought a SKr624m pre-tax profit after last year's SKr520m loss.

It was the airline's second consecutive quarter in the black and keeps it on course for its first full-year profit since 1989.

During the past four years, it has made losses due to weak sales, fierce competition, heavy restructuring costs and currency losses.

Hagemeyer raises Fl 90m in placement

Hagemeyer, the Dutch products and food trading group, has raised Fl 90m (\$53.9m) of new capital in a private placement of 677,617 ordinary shares, AP-D reports.

The issue, announced earlier this year, will increase the total number of shares outstanding by 4.7 per cent.

The Naarden-based group also announced it had placed a \$45m, five-year, floating-rate exchangeable subordinated note issue with Dutch institutional investors. The notes, designed to improve the structure of debt rather than increase the burden, are exchangeable into minority equity at the option of Hagemeyer.

"Both transactions fit Hagemeyer's financial aim to keep its shareholders' equity at a level of between 25 and 30 per cent of balance sheet total," Hagemeyer said.

Its Hong Kong parent company, First Pacific, participated in the share offering to hold its stake unchanged at 50.4 per cent.

The remainder of the newly-issued common shares have been placed with a small number of foreign and domestic investors, who paid a price at market average.

Hagemeyer, which has expanded this year through the takeover of UK electro-technical wholesaler Newey & Eyre and a joint venture in Asia, said it expected earnings per share to rise in 1994, from last year's Fl11.57.

Commercial Union advances to £305m on UK non-life revival

By Ralph Atkins,
Insurance Correspondent

Commercial Union, the large UK composite insurer, yesterday reported pre-tax profits up \$155m (\$270.6m) at £305m for the first nine months, helped largely by the revival in the UK non-life insurance sector.

Mr John Carter, chief executive, said UK underwriting margins were "still looking favourable" with claims relatively low and many premiums stable or rising. But he acknowledged that trading conditions in insurance were unlikely to remain as good in the next few years.

Underlining the extent of competition - particularly from direct telephone-based insurers - the company reported that the number of private motor vehicles insured by it had fallen 18 per cent over the past year.

The results were broadly in

line with expectations and the group's shares ended unchanged at 54p.

In continental Europe, strong growth in general insurance premiums helped increase operating profits in the Netherlands to £54m from £53m, but elsewhere CU made an operating loss before taxation of £8m against £24m.

Contributions from the US were hit by bad weather and catastrophic claims. US operating profits before tax fell to £44m from £50m.

Mr Carter said UK growth had been affected by a tough market for pension products but he forecast that the Securities and Investment Board's proposed programme for reviewing past sales of personal pension policies would not have a material effect on its statutory life profits.

For the group as a whole, profits from the life business increased to £94m from £86m.

Growth in new life annual premiums in continental Europe was partly offset by lower UK sales of individual life and pension products.

Operating results for general insurance jumped to £202m from £57m. Total premium income in the first nine months was £4.50bn against £4.49bn.

The results were the first since CU acquired on October 6 the French insurer Groupe Vie, which will be included in final-quarter results.

Shareholders' funds at September 30 totalled £2.1bn compared with £2.5bn at December 31 1993. The drop largely reflected the poor performance of bond and equity markets.

Operating ratio in the UK - which measures claims, commissions and expenses as a percentage of premiums - amounted to 97 per cent in the nine months, against 104 per cent.

Cuomo's defeat hits Lilco shares

By Richard Tomkins
in New York

Shares in the Long Island Lighting Company, a private-sector US electricity company, tumbled by \$1½ to \$16½ in early trading, a decline of more than 8 per cent, following the defeat of Mr Mario Cuomo, the state's Democratic governor, in the US mid-term elections.

Last month Mr Cuomo proposed to buy out Lilco's shareholders at \$21.50 a share and take the company into state ownership in an attempt to cut electricity bills.

However, the plan looks unlikely to go ahead under New York's new Republican governor, Mr George Pataki.

Mr Cuomo said Lilco's electricity rates, the highest in the US, would fall by 10 per cent if the company were nationalised

because it would no longer have to pay federal taxes or shareholder dividends.

Later this month Lilco's electricity rates are due to be reviewed, but the New York Public Service Commission, the state body that sets electricity rates, is not expected to permit any increase.

Shareholders fear the result will be declining company profits and a cut in the dividend.

Water group loan

General Utilities, holding company for the UK water company assets of Compagnie Generale des Eaux de France, has returned to the syndicated loan market with a \$120m revolving credit facility arranged by Chemical Bank, writes Martin Brice in London.

Chemical Bank said the loan would replace a \$160m deal it arranged in 1991 for the company.

UK retailer may sell banking arm

By Ian Hamilton Fazey,
North of England
Correspondent

The sale of part or all of the Co-operative Bank is being considered by its owner, the Co-operative Wholesale Society.

S.G. Warburg, the UK investment bank, has been commissioned to examine selling shares in the bank to another co-operative financial institution. Since last year, contact has been made with co-operative banks in Canada, Germany, France, Belgium and Switzerland.

The CWS board discussed a paper on the bank's future last week, but decided to take no short-term action.

The Manchester-based bank has only 3,500 employees and 2 per cent of the UK retail market. However, it is strong in two niches: "gold" credit cards and local government accounts. It has also attracted customers by refusing to do business with companies that it considers insensitive to environmental issues.

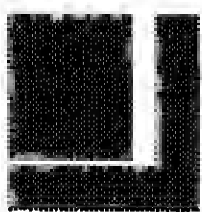
Its asset base was £3.4bn (\$5.4bn) in its accounts for the year to January 8, with pre-tax profits of £17.8m.

The CWS was founded in 1863 and set up the bank nine years later. As owner of 100 per cent of the equity, the CWS has to guarantee the bank's capital base. Returns on the £22m invested so far have been poor because the bank has had to retain profits to keep its base strong.

An alternative recommended in last week's board discussion paper was to transfer ownership to the Co-operative Insurance Society, although this would be unlikely to be approved by the Bank of England, the banking regulator.

This announcement appears as matter of record only

October 1994



ENGIL SGPS, SA

PTE 6,792,120,000

Private Equity Offering

Banco Santander de Negócios Portugal

Banco Português do Atlântico

CISF Banco de Investimento
Caixa Geral de Depósitos
Banco Totta & Açores

Santander Investment

BARCLAYS

BARCLAYS BANK PLC

U.S.\$330,830,000

Junior Undated Floating Rate Notes

Notice is hereby given that the Rate of Interest for the Interest Period from 10th November, 1994 to 10th May, 1995 is 6.375 per cent. per annum and that on 10th May, 1995 the amount of interest payable in respect of each U.S.\$330,830,000 principal amount of the Notes will be U.S.\$160.26 and in respect of each U.S.\$30,000 principal amount of the Notes will be U.S.\$1,602.60.

Barclays de Zoete Wedd Limited
Agent BankCREDIT LYONNAIS
YEN 60,000,000,000
5% PER CENT. BONDS
DUE 1999

Bondholders are hereby informed that Crédit Lyonnais will redeem the total amount of the outstanding bonds at the principal amount thereof on 14th December 1994, as permitted under Condition 3(B) of the Terms and Conditions of the Bonds.

The Fiscal and Principal
Paying Agent.

CREDIT LYONNAIS

Birmingham
Midshires
Banking Group\$150,000,000
Floating Rate Notes 1999

The notes will bear interest at 6.125% per annum for the interest period 8 November 1994 to 8 February 1995. Interest payable on 8 February 1995 will amount to \$159.10 per \$100,000 note and \$1,591.10 per \$100,000 note.

Agent: Morgan Guaranty
Trust Company

LOPEZ, INC.

Exchange Offer

To Eligible Holders of the
PL249,960,666

4.2% Perpetual Convertible Bonds ("Bonds") of Benpres Holdings Corporation ("Benpres") of the right to exchange their Bonds for Global Depositary Receipts ("GDRs") in respect of certain SPUR rights ("SPURs") granted by Lopez, Inc. ("Lopez") relating to common shares of par value P1.00 each ("Shares") of Benpres.

Further to previous announcements relating to the Exchange Offer, an aggregate amount of 15,933,151 GDRs in respect of 15,933,151 SPURs granted by Lopez relating to 278,063,040 Shares have been issued to those eligible holders of Bonds who accepted the Exchange Offer. Benpres (the Exchange Co-ordinator), reported that acceptances were received in respect of approximately 96.5% of the outstanding Bonds.

Such GDRs are in addition to the 166,750,000 GDRs previously issued at an issue price of US\$0.80 each in respect of 166,750,000 SPURs granted by Lopez relating to 333,500,000 Shares.

This announcement has been issued by Robert Fleming & Co. Limited, a member of The Securities & Futures Authority.

10th November 1994

PETROFINA S.A.

52 rue de l'Industrie - B-1040 Brussels
T.V.A. No. 403.079.441 - R.C. Brussels No. 227.957

Shareholders are invited to attend the EXTRAORDINARY GENERAL MEETING in Brussels, at 52 rue de l'Industrie, on November 28, 1994, at 2.30 p.m. (Brussels time), with the agenda:

1. A recommendation to irrevocably waive, with effect from the 1994 financial year, the tax saving resulting from the exemption provided by Royal Decree no. 15 of March 9, 1982, as subsequently modified, and payable to the AFV-shares; and to propose the deletion of paragraph 4 of article 34 of the Articles of Association in consequence.
2. To empower the Board of Directors to enforce resolutions adopted at that meeting and to determine the method of execution thereof.

The shareholders' quorum must represent at least half the capital. Failing this, a second meeting with the same agenda, will be held on December 16, 1994 at 2.30 p.m. In anticipation of the first meeting, the holders of bearer shares may deposit their shares until close of business on November 23, 1994, in the following institutions:

Banque Bruxelles Lambert Générale de Banque
CGER Kredietbank Banque Paribas Belgique
Banque Nationale de Paris Crédit du Nord
Banque Internationale à Luxembourg
Banque Générale du Luxembourg
Commerzbank Deutsche Bank Dresdner Bank
Crédit Suisse Swiss Bank Corporation
Union Bank of Switzerland ABN-Amro Bank
Credito Italiano Barclays Bank (Fenchurch St., London).

The Board of Directors

Top Finance (Bermuda) II Ltd.

(the "Issuer")

up to U.S.\$95,000,000.

9.25% Guaranteed Secured Notes Due 2000

Notice of Redemption

All or a portion of U.S. \$95,000,000 outstanding principal amount of the 9.25% Guaranteed Secured Notes Due 2000 issued under the Indenture dated as of December 1, 1988 between the Issuer and Texas Commerce Bank National Association, as trustee, are hereby being called for redemption at the option of the Issuer on December 7, 1994, at par plus accrued interest. No other Class of Notes or Equity issued under the Indenture is subject to this Notice of Redemption.

Interest on the redeemed Notes will cease accruing from and including December 7, 1994, unless the redemption does not occur. Failure to redeem the Notes on December 7, 1994 does not constitute an Event of Default under the Indenture, but rather the Notes will continue to be outstanding and interest on Notes to be redeemed. Holders will be further notified as to the exact amount of Notes to be redeemed, and thereupon are requested to surrender their Notes and Coupons to be redeemed at one of the following locations: Chemical Bank, N.Y., Brussels; or Union Bank of Switzerland, Zurich.

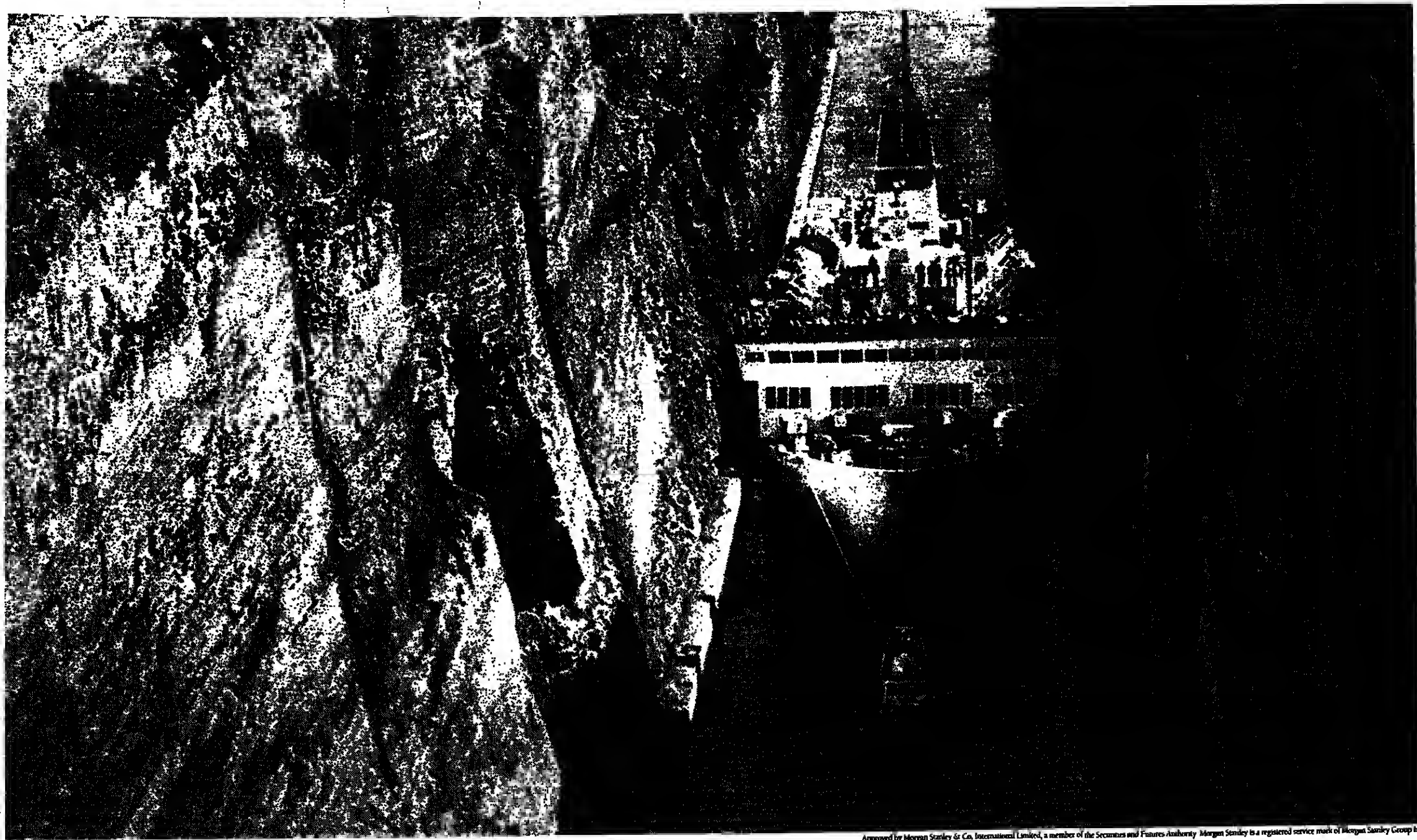
NOTICE TO POTENTIAL PURCHASERS

OF
KASSANDRA MINES OF
"HELLENIC CHEMICAL PRODUCTS AND
FERTILIZERS COMPANY S.A."
OF ATHENS, GREECE

"ETNIKI KIPHALOU S.A. Administration of Assets and Liabilities", in its capacity as Liquidator of "HELLENIC CHEMICAL PRODUCTS AND FERTILIZERS COMPANY S.A." of 20, Amaliou Avenue, Athens, Greece (the "Company"), which has been declared, by virtue of Decision No. 4299/1992 of the Athens Court of Appeal, under the status of special liquidation according to the provision of article 46a of Law 1832/1990, hereby notifies to potential purchasers of the Company that an invitation for 1994 requesting all interested parties to submit a Declaration of Interest in acquiring the Financial Times on the 28th of October 1994 by default. Nevertheless, the dates of the publication of the Call for Tenders and of the Auction shall be calculated with effect from the invitation published on the 11th and 12th of October 1994.

For the submission of Declarations of Interest, as well as in order to obtain the Offering Memorandum and any other information concerning the Kassandra Mines, upon execution of a confidentiality agreement, please address the Liquidator of the Company: "ETNIKI KIPHALOU S.A. Administration of Assets and Liabilities", address: 1, Skoufion Street, (Frangouli) at the Liquidator's agent Messrs. John Detsis and Stasos Michalidis, 20 Amfion Av., Athens 115 57, Greece, tel: +30-1-322.75.70, fax: +30-1-322.11.03

مکانم التحلل



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And a complete pricing breakdown — for you to sign off on and for them to live up to.

You know they'll come through.

MORGAN STANLEY

Bombay Chicago Frankfurt Hong Kong London Los Angeles Luxembourg Madrid Melbourne Milan Moscow New York Paris San Francisco Seoul Shanghai Singapore Taipei Tokyo Toronto Zurich

Union Pacific in surprise new offer for Santa Fe

By Richard Tomkins
in New York

The takeover battle for Santa Fe Pacific, one of the biggest US railway companies, yesterday took a new turn after Union Pacific, the hostile bidder, produced a surprise tactic in an attempt to outmanoeuvre Burlington Northern, the friendly suitor.

Union Pacific put forward a new offer worth \$3.3bn in cash and shares, substantially less than its last offer of \$3.8bn. However, it said shareholders would get the cash and shares immediately instead of having to wait a year or more while the Federal regulatory authorities considered the deal.

The proposal could prove tempting to Santa Fe's shareholders because Burlington Northern's all-share offer is worth less - \$3.2bn - and would have to await regulatory approval.

Santa Fe, which had rejected Union Pacific's two previous offers, yesterday said it was studying the latest proposal. The bids will be put to a shareholder vote on November 18.

Until now, Union Pacific's bid for Santa Fe, although worth more than Burlington Northern's, had looked less likely to succeed because it ran the risk of being ruled out on anti-trust grounds by the regulatory authorities. Large parts of the Union Pacific and Santa Fe rail networks overlap.

Under the new proposal, announced late on Tuesday, Union Pacific is offering \$17.50 for each Santa Fe share, \$10 of it in cash and the remainder in Union Pacific stock.

If Santa Fe shareholders accept, Union Pacific will set up an independent voting trust to hold Santa Fe's stock while the regulatory authorities consider the deal.

The effect of the offer is to transfer the risk of a regulatory refusal from Santa Fe's shareholders to Union Pacific's because if the deal were disallowed, Union Pacific would have to dispose of the Santa Fe stock - possibly at a substantial loss.

Union Pacific's shareholders are not, however, being asked to approve the proposal.

Santa Fe's shares shot up \$1 to \$16 in early trading yesterday, a rise of 9 per cent.

Union Pacific's shares dropped \$4 to \$49, while Burlington Northern's were up \$4 to \$49.

Improved margins lift Federated to \$44.3m

By Richard Tomkins

Increased sales and better margins helped Federated Department Stores, US owner of the Bloomingdale's department store chain, boost net income to \$44.3m in its third quarter to October from \$20.3m previously.

The increase was exaggerated by a tax adjustment in the comparable period, but Federated said net income would still have been 26 per cent higher if the adjustment had not taken place.

Earnings per share rose to 35 cents from 16 cents. The increase was exaggerated by a tax adjustment in the comparable period, but Federated said net income would still have been 26 per cent higher if the adjustment had not taken place.

Part of the profits increase came from an 8 per cent rise in revenues to \$1.93bn from \$1.79bn. Federated opened four new stores during the period, taking the total to 235, while sales at existing stores rose by 3.4 per cent.

Federated also benefited from its efforts to improve efficiency.

Selling, general and administrative expenses fell to 31.7 per cent of sales from 33.8 per cent, partly reflecting the group's investments in retail technology.

Mr Allen Questrom, chairman and chief executive, said the figures demonstrated the group's ability to run the business at the division level while concentrating at the corporate level on the planned merger with the rival R.H. Macy department store group.

A \$1.7bn marriage that faces a bumpy ride

Investors have doubts over Quaker Oats' purchase of Snapple, writes Richard Tomkins

They make an odd couple. On the one hand is Quaker Oats, a 103-year-old US cereal manufacturer whose name is synonymous with porridge. On the other is Snapple Beverage, a trendy soft drinks company that has shot to prominence in the US through the phenomenal success of its "new age" iced tea and juice drinks. Will the marriage work?

Last week Quaker Oats announced it was paying \$1.7bn in cash to buy Snapple. The acquisition, it said, would turn Quaker Oats into the biggest soft drinks company in the US after Coca-Cola and PepsiCo, and accelerate future profits growth.

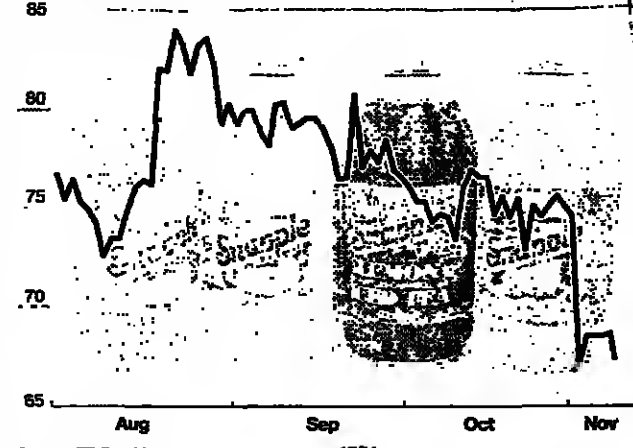
But if it had hoped for a favourable reaction from the stock market, it was to be disappointed: its shares tumbled 7% to \$67 on the day, a fall of nearly 10 per cent.

The Snapple acquisition may be the biggest in Quaker's history, but it is not the first. Since the 1960s, the company has diversified into other business areas, including fast-food restaurants, specialty retailing and toy manufacturing, only to get out again. But in 1983 it struck lucky when it bought Stokely-Van Camp, a US food company that made Gatorade, a sports drink.

Thanks to a combination of changing tastes among increasingly health-conscious US consumers and heavy investment in the brand by Quaker Oats, sales of Gatorade shot up. In 1983 they were barely \$80m in the current financial year, they

Snapple deal not to investors' taste?

Quaker Oats (share price \$)



Source: FT Graphite

are expected to be \$1.2bn.

But Gatorade's meteoric performance has not been matched by that of the group's other products, mainly cereals and pet foods. Here, Quaker Oats has been doing little better than holding its own in the face of tough competition from bigger rivals, and overall profits growth has been flaccid.

The business logic for the Snapple acquisition looks straightforward enough. With Gatorade, Quaker Oats is already the US market leader in sports drinks. With Snapple's trendy Mango Iced Tea, Amazin' Grape Juice and the like, Quaker Oats will also become a market leader in ready-to-drink iced teas and juice drinks. So Quaker Oats

becomes market leader in the three fastest-growing beverage segments in the US.

Further, Quaker Oats believes it can gain by feeding Snapple through Gatorade's distribution channels. Snapple sells mainly through corner stores and delicatessens, and has barely 1 per cent of its sales outside the US. Gatorade, in contrast, sells through convenience stores and supermarkets, and sells in more than 25 countries.

Quaker Oats also announced it would offset part of the cost of buying Snapple by selling its European pet food and livestock chocolate businesses. (Analysts think they may fetch around \$700m.) Mr William

Smithburg, chairman and chief executive of Quaker Oats, said this was to keep with the company's policy of improving the profitability of lower-return businesses, or divesting them.

"Our goal is to deliver above-average returns over time with a high-growth, high-margin portfolio of leading consumer brands that fuel health-conscious consumers around the world," Mr Smithburg said.

So why the fall in the share price?

Partly, it was because Quaker Oats will look a good deal less vulnerable to a takeover bid than before - but for the worst of reasons. Perhaps the biggest is the fact that news of the deal coincided with the publication of Snapple's latest financial results showing that net profits had slumped from \$26.5m to \$7.1m in the quarter to September.

Quaker Oats tried to play down concern over the figures. Snapple's annual sales had grown from \$40m to \$600m in four years, it said, and it was not unusual for a company growing that quickly to hit a few bumps along the road. In this case, inventory build-ups had slowed factory shipments, merchandising costs were up, and competition caused iced tea sales to be lower than expected.

Yet Snapple's potential difficulties cannot be ignored. One danger is that "good-for-you" beverages could be just a fad; but much the larger threat is that the mighty Coca-Cola and

PepsiCo - acutely aware of the fact that their colas are losing market share to alternative drinks - will plunder the market for "new age" beverages and squeeze Snapple till the pips squeak.

That warning signs are already there. PepsiCo, in a joint venture with Unilever's Thomas J. Lipton tea company, has launched Lipton Iced Tea, and Coca-Cola, in a joint venture with Nestlé of Switzerland, has launched Nestlé.

In March this year Coca-Cola introduced its own range of "new age" fruit drinks, such as Raspberry Psychic Lemonade and Grape Beyond, and PepsiCo has launched a range of lemonade drinks called Ocean Spray.

Meanwhile, Gatorade is also under siege. Coca-Cola is attacking its market with a sports drink called Powerade and PepsiCo with All Sport. Obviously, Quaker Oats suffered a slump in net profits to \$61.4m from \$81.4m in the quarter to September, partly because it had to spend more on marketing to defend Gatorade from competition.

Quaker Oats has acknowledged that the Snapple acquisition would dilute earnings per share by 45 cents to 65 cents in the year to June 1995. It has also said the deal would begin to benefit the bottom line until the year to June 1996. If the share price is down, it is because some investors wonder whether even that could turn out to be too rosy a prognosis.

Alcoa considers first investment in Russia

Aluminum Co of America (Alcoa) is considering buying a minority stake in a Russian aluminium smelting plant in Siberia in what would be its first investment in the former Soviet Union, Reuters reports from Michigan.

While the initial investment would be small, it could grow to as much as \$500m over the next 10 years, said Mr Paul O'Neill, chairman and chief executive officer.

Mr O'Neill said he planned to visit the plant in Krasnoyarsk after the Thanksgiving holiday and would make a final decision within a couple of months.

He added that the smelter had the capacity to produce 750,000 tonnes of aluminium per year. However, the plant had numerous environmental problems and would need to be upgraded to become more efficient.

He said his visit would provide first-hand evidence of the investments needed to modernise the plant. "I'm convinced it is a sufficiently real and interesting possibility that I need to go look at it myself."

A deadline for any possible deal is "close enough that we're going to have to make a decision to put some real shareholder money at risk".

Intel sees heavy Pentium demand

Intel, the leading supplier of microprocessors to the personal computer industry, expects demand for its Pentium chip to increase at an aggressive rate in 1995, AP-DJ reports from New York.

Mr Gerhard Parker, senior vice-president, general manager, of the technology and manufacturing group of Intel, said he also expected the PC market to continue growing.

He said the company expected 486 chip demand to fall off as popularity for the Pentium increases.

Metal Mining to shut down smelter for three years

By Bernard Simon in Toronto

Metal Mining, the international copper producer until recently controlled by Germany's Metallgesellschaft, plans to close its Copper Range smelter in Michigan next spring for about three years.

The Toronto-based company yesterday put a brave face on the shutdown and various changes in mining practices at Copper Range which have dented productivity. The changes coincide with proposed modifications to the

smelter required by tighter environmental standards.

Mr Klaus Zeiler, Metall chief executive, said that the mining changes would have a detrimental effect on earnings for the rest of this year, "but in the long-term it will have a highly beneficial effect".

Metal's share price dipped by 75 cents to \$312 in early trading on the Toronto stock exchange.

The Copper Range news overshadowed an overall improvement in third-quarter performance, caused by rising

metal prices and higher investment income.

Third-quarter earnings were \$86.1m (US\$4.49m) or 7 cents a share, compared with a \$85.9m loss, equal to 9 cents a share, a year earlier.

Revenues climbed to \$208.5m from \$244.5m, largely as a result of last year's acquisition from Metallgesellschaft of a 35 per cent stake in Norddeutsche Affinerie, the European copper smelter.

Copper Range's cathode output fell to 22.6m lbs from 24.8m lbs, due to lower grades and

productivity. Metall said that copper grades slid by more than 10 per cent during the quarter as a result of difficult mining conditions, and a decision to stop second-pass mining. Cash operating costs averaged US\$1.05 a lb, up from 78 cents in 1993.

The suspension of second-pass, or pillar, mining, is designed to ensure stable rock conditions for solution mining, which is expected to be introduced in tandem with the smelter modifications. Metall has reached an agree-

ment with Canada's Hudson Bay Mining to process Copper Range concentrates for 33 months, starting next March.

Dr Zeiler said that Metall was keen to acquire another large copper mining project. Its interest was focused on South America. It suffered a setback recently with a failed bid for the Tintaya copper project in Peru. But Teck Corporation, in which Metall is a minority shareholder, unveiled plans yesterday for a final feasibility study of the large Petaquilla deposit in Panama.

NOTICE OF REDEMPTION CITY OF VIENNA

USD 75,000,000 8% Notes 1986/96

Notice is hereby given that pursuant to section 5(a) of the Terms and Conditions of the Notes, City of Vienna will redeem on 14th November 1994 USD 15,000,000 principal amount of said 8% Notes due November 14, 1996. Serial numbers of drawn Notes to be redeemed are set forth below on groups from one number to another number, both inclusive:

19	28	2519	2520	5019	5020	7519	7520	10019	10020	12519	12520
159	160	2569	2570	5069	5070	7569	7570	10069	10070	12569	12570
119	120	2619	2620	5119	5120	7619	7620	10119	10120	12619	12620
169	170	2669	2670	5169	5170	7669	7670	10169	10170	12669	12670
219	220	2719	2720	5219	5220	7719	7720	10219	10220	12719	12720
269	270	2769	2770	5269	5270	7769	7770	10269	10270	12769	12770
319	320	2819	2820	5319	5320	7819	7820	10319	10320	12819	12820
369	370	2869	2870	5369	5370	7869	7870	10369	10370	12869	12870
419	420	2919	2920	5419	5420	7919	7920	10419	10420	12919	12920
469	470	2969	2970	5469	5470	7969	7970	10469	10470	12969	12970
519	520	3019	3020	5519	5520	8019	8020	10519	10520	13019	13020
569	570	3069	3070	5569	5570	8069	8070	10569	10570	13069	13070
619	620	3119	3120	5619	5620	8119	8120	10619	10620	13119	13120
669	670	3169	3170	5669	5670	8169	8170	10669	10670	13169	13170
719	720	3219	3220	5719	5720	8219	8220	10719	10720	13219	13220
769	770	3269	3270	5769	5770	8269	8270	10769	10770	13269	13270
819	820	3319	3320	5819	5820	8319	8320	10819	10820	13319	13320
869	870	3369	3370	5869	5870	8369	8370	10869	10870	13369	13370
919	920	3419	3420	5919	5920	8419	8420	10919	10920	13419	13420
969	970	3469	3470	5969	5970	8469	8470	10969	10970	13469	13470
1019	1020	3519	3520	6019	6020	8519	8520	11019	11020	13519	13520
1069	1070	3569	3570	6069	6070	8569	8570	11069	11070	13569	13570
1119	1120	3619	3620	6119	6120	8619	8620	11119	11120	13619	13620
1169	1170	3669	3670	6169	6170	8669	8670	11169	11170	13669	13670
1219	1220	3719	3720	6219	6220	8719	8720	11219	11220	13719	13720
1269	1270	3769	3770	6269	6270	8769	8770	11269	11270	13769	13770
1319	1320	3819	3820	6319	6320	8819	8820	11319	11320	13819	13820
1369	1370	3869	3870	6369	6370	8869	8870	11369	11370	13869	13870
1419	1420	3919	3920	6419	6420	8919	8920	11419	11420	13919	13920
1469	1470	3969	3970	6469	6470	8969	8970	11469	11470	13969	13970
1519	1520	4019	4020	6519	6520	9019	9020	11519	11520	14019	14020
1569	1570	4069	4070	6569	6570	9069	9070	11569	11570	14069	14070
1619	1620	4119	4120	6619	6620	9119	9120	11619	11620	14119	14120
1669	1670	4169	4170	6669	6670	9169	9170	11669	11670	14169	14170
1719	1720	4219	4220	6719	6720	9219	9220	11719	11720	14219	14220
1769	1770	4269	4270	6769	6770	9269	9270	11769	11770	14269	14270
1819	1820	4319	4320	6819	6820	9319	9320	11819	11820	14319	14320
1869	1870	4369	4370	6869	6870	9369	9370	11869	11870	14369	14370
1919	1920	4419	4420	6919	6920	9419	9420	11919	11920	14419	14420
1969	1970	4469	4470	6969	6970	9469	9470	11969	11970	14469	14470
2019	2020	4519	4520	7019	7020	9519	9520	12019	12020	14519	14520
2069	2070	4569	4570	7069	7070	9569	9570	12069	12070	14569	14570
2119	2120	4619	4620	7119	7120	9619	9620	12119	12120	14619	14620
2169	2170	4669	4670	7169	7170	9669	9670	12169	12170	14669	14670
2219	2220	4719	4720	7219	7220	9719	9720	12219	12220	14719	14720
2269	2270	4769	4770	7269	7270	9769	9770	12269	12270	14769	14770
2319	2320	4819	4820	7319	7320	9819	9820	12319	12320	14819	14820
2369	2370	4869	4870	7369	7370	9869	9870	12369	12370	14869	14870
2419	2420	4919	4920	7419	7420	9919	9920	12419	12420	14919	14920
2469	2470	4969	4970	7469	7470	9969	9970	12469	12470	14969	14970

US\$ 30,000,000 nominal amount of the Notes will remain outstanding after November 14, 1994. Payment will be made upon surrender of the Notes, together with all coupons maturing after the date fixed for redemption, at the office of the Paying Agents as shown on the Notes.

Notes should be surrendered for payment together with all unmatured coupons, appertaining thereto, failing which the face amount of the missing unmatured coupons will be deducted from the principal amount due for payment.



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INTERNATIONAL COMPANIES AND FINANCE

US operations help News Corp rise 15%

By Bruce Jacques in Sydney

News Corporation, Mr Rupert Murdoch's international media group, has begun the financial year with a solid rise in net earnings following strong results from the company's film and television operations in the US.

News Corp yesterday announced a 15 per cent rise in net profit to A\$301m (US\$232m) in the three months to end-September, from A\$262m a year ago, on a 7.6 per cent increase in operating revenue to A\$2,990m from A\$2,780m.

A 43 per cent rise in earnings from associated companies and a lower net interest bill also helped earnings. However, Australian and UK newspaper interests were flat.

Most of its earnings came from the US, where operating

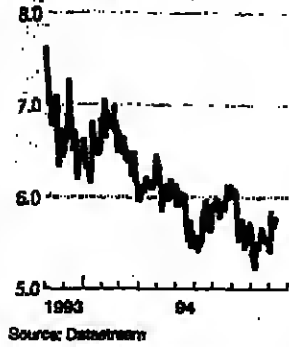
income rose to A\$233m from A\$248m. Directors said profits from Twentieth Century Fox films had doubled in the quarter following successful releases such as *Speed* and *True Lies*. Results from the Fox television station group were also up strongly.

Magazine and inserts results, where operating income rose to A\$74m from A\$70m, benefited from higher pricing and advertising revenues. But earnings from the HarperCollins book publishing operation eased to A\$55m from A\$78m, reflecting weaker results from the San Francisco group.

Operating income from UK operations fell to A\$65m from A\$75m, with directors citing the impact of The Times newspaper's price cut in June. "Circulation at The Times now stands at 607,143, an increase

News Corporation

Share price (A\$)



Source: Datastream

of more than 37 per cent versus a year ago," they said.

"At The Sun, circulation remains in excess of 4m copies following a 2p cover-price rise on August 22. On the advertising front, revenues are up

across all titles, due to an improving advertising market and higher circulation levels."

Directors said BSKyB, the company's 60 per cent owned satellite broadcasting subsidiary (in which Pearson, owner of the Financial Times, has a stake), achieved a significant increase in operating profit, with total subscribers exceeding 8.8m.

The company's Australia and Pacific Basin region saw the biggest segmental earnings fall, with operating income down to A\$40m from A\$69m. Directors said revenue gains had been offset by higher depreciation charges due to plant modernisation.

Star TV, the 64 per cent owned satellite broadcasting subsidiary, incurred a loss. Ansett, the 50 per cent owned Australian airline, con-

tinued to increase earnings, and with BSKyB, lifted the contribution from associated companies to A\$106m from A\$74m.

News Corp's direct operating income fell by 5.8 per cent to A\$388m from A\$412m, mainly reflecting last year's sale of the South China Morning Post and unfavourable exchange rates. However, currency changes also contributed to a fall in interest expense to A\$154m from A\$173m.

Tax provisions took A\$47m compared with A\$39m. This excludes a A\$3m abnormal profit, compared with a A\$16m loss previously.

US operations contributed the highest share of group revenues, up to A\$2,250m from A\$1,930m. UK revenues eased to A\$468m from A\$471m and Australian revenues were down to A\$375m from A\$382m.

NEWS DIGEST

WestLB studies reorganisation of investment side

Westdeutsche Landesbank Girozentrale, the German regional bank, is considering reorganising its investment banking activities in London, Reuter reports from Düsseldorf. However, the bank said it had not yet made definite decisions.

"We are thinking about our investment bank activities in London," the bank said. It declined to confirm reports that it planned to move its non-DM bond issuing business to London from Düsseldorf.

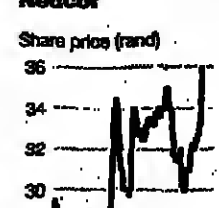
"We are not interested in encouraging speculation against the background of an ongoing review of WestLB's activities," the bank said.

Last month, Deutsche Bank, Germany's largest commercial bank, decided to put all its international investment banking activities in the UK capital, combining its activities with those of Morgan Grenfell, the UK merchant bank.

carrier, Eva Airways. CA's Japan and Hong Kong routes account for a large portion of sales.

Nedcor boosts net income 24% to R603m

Nedcor, the South African financial services group, has put in a solid performance for the year ended in September, raising net income 24 per cent to R603m from R489m previously, writes Mark Suzman. While interest income rose by only 10 per cent to R7bn from R6.4bn, a 16 per cent rise in non-interest revenue, to R1.37bn from R1.17bn, combined with a rise in expenses of only 9 per cent, to R4.97bn from R4.57bn, boosted total income to R3.4bn from R2.9bn.



Source: Datastream

Taxation rose 13 per cent to R363m from R320m, while a final dividend of 95 cents was declared, up 23 per cent from last year's 77 cents. The bad debt provision dropped 2 per cent to R277m from R282m.

Reunert, the South African technology group, has posted an 18 per cent increase in pre-tax profit, to R304m (R87m) from R257.9m for the year to September, helped by increased sales to South African parastatals Eskom and Telkom, writes Mark Suzman in Johannesburg.

Turnover, which for the first time includes brand names Panasonic, Nashua and Airomatic, rose 48 per cent to R3.5bn from R2.4bn. At the same time, an 8 per cent drop in the minority share of profit, to R40.6m from R44m, helped attributable profit surge 39 per cent to R150.54m from R108.2m.

A final dividend of 19.5 cents has been declared, bringing the total for the year up 15 per cent to 27 cents compared with 23.4 cents. Sankyo, which will report its earnings today, is expected to see solid profits growth, attributable to strong sales of its anti-cholesterol drug. However, revenues are expected to have suffered because of decreased sales of drugs made by Sandoz, the Swiss drug company.

China Airlines, Taiwan's flagship carrier, said sales in the first nine months fell 1 per cent compared with last year, to T\$33.22bn (US\$1.2bn). AP-DJ reports from Taipei.

The airline faces strong competition from Taiwan's first privately-owned international

goods and foods supplier, attributed a 10 per cent gain in pre-tax profit, to R661.8m (R169.3m) in the year to September 30 from R588.7m in 1993, to restructuring and better cash management, AP-DJ reports from Johannesburg.

Meanwhile, PT Lippo Bank, the banking arm of the diversified Lippo group, said its after-tax profit for the third quarter ended September 30 was Rp16.5bn, up 60 per cent.

Tiger Oats improves

Tiger Oats, South Africa's largest agricultural

Japanese drugs groups withstand price cuts

By Emilio Terazono in Tokyo

Cost-cutting and strong sales of high-margin drugs offset the pharmaceutical effects of weak overall sales growth to support earnings at leading Japanese pharmaceutical companies for the first six months to September.

Although average drug prices were marked down by 6.6 per cent across the industry in April, after the ministry of health and welfare cut prescription drug prices, there was a sharp rise in sales the same month as customers, who had held back orders, rushed to take advantage of lower prices.

Profits were further supported by a sharp rise in sales of vitamin drinks, helped by an

Interim results to September 1994 (Ybn)						
Sales	Change on year (%)	Recurring profit*	Change on year (%)	Net profit	Change on year (%)	
Takeda	283.5	+0.5	40.7	+4.6	21.2	+13.8
Yamanouchi	136.3	+8.1	29.5	+5.4	16.0	+2.1
Fujisawa	117.5	+0.9	12.2	+3.1	4.5	+146.5
Shionogi	112.3	-0.8	11.0	-0.7	4.7	-13.3
Daichi	105.7	+1.3	20.0	+2.9	9.4	+3.3

* Before extraordinary items and tax

Source: Company reports

*Notes: extraordinary items and tax

Source: Company reports

unusually hot summer.

Takeda Chemical said healthy sales of vitamin tablets boosted profits. Profitability at its pharmaceutical division, where sales rose 0.3 per cent, weakened due to drug price cuts and growing research and development costs. However, the healthcare products division benefited from strong sales of vitamin drinks to show a sales rise of 8.8 per cent. For the full year to next March, the company expects recurring

profits to fall 0.3 per cent to Y77bn (\$793.8m) on a 1.5 per cent rise in sales to Y570bn.

Yamanouchi Pharmaceutical saw strong sales of its stomach ulcer remedy *Gastar*, although sales of its interferon drug suffered from price cuts. The company will raise its interim dividend payment to Y8 per share from last interim's Y6.5. For the full year, it expects sales to rise 2 per cent to Y265bn on a 0.3 per cent increase in recurring profits to Y54.5bn.

Fujisawa Pharmaceutical

saw firm drug sales, while profits were supported by a cut in research and development costs. After-tax profit rose sharply due to decreased appraisal losses on shares of its subsidiary, and smaller corporate tax payments. Annual sales are expected to fall 1.2 per cent to Y232bn, while current profits are expected to rise 10.3 per cent to Y22bn.

Shionogi said a fall in drug sales and interest revenue hurt

SA Breweries advances 21%

By Mark Suzman in Johannesburg

South African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit, to R342m (R97.8m) for the six months to September, compared with R288m for the same period a year ago. The figure was broadly in line with market expectations.

An improvement in South African consumer confidence helped all divisions, which produced an overall 14 per cent rise in turnover to R12.9bn, up from R11.4bn previously. Improved margins meant that

trading profit rose 19 per cent to R1.16bn from R971m.

Tax paid rose to R949m from R765m, while net financing costs dropped slightly to R241m from R249m a year ago. The interim dividend was lifted 21 per cent to 47 cents from 39 cents. Meanwhile, cash flow rose sharply to R1bn, well up on last year's R272m. The group attributed this to its tight management of working capital.

The beer division, which contributes most of the bottom line, achieved earnings growth of 21 per cent. Meanwhile, the group's other interests, including Lion Match, Plate Glass

Shatterproof Industries and Afcol, showed a combined 20 per cent rise in earnings.

SAB has reached conditional agreement with China Resources Enterprise, the Hong Kong-listed subsidiary of the PRC state-owned China Resources Holding, to form a joint venture that will hold CRE's existing 55 per cent controlling interest in the Shenyang Brewery, China's second largest brewery.

SAB will pay \$25m through its subsidiary Westgate Worldwide, which holds the group's international beverage activities, to participate in the joint venture.

Casino group in Sydney listing

By Bruce Jacques

Casinos Austria, the European casino operator, has announced plans to raise A\$64.5m through a listing on the Australian Stock Exchange.

The company will offer a 45 per cent interest in a company called Casinos Austria International (CAI) as part of a plan for further expansion in the Asian region.

CAI will control the equity investments, management con-

tracts and development rights of Casinos Austria's operations outside Europe. These include the operation or management of three Australian casinos, in Canberra and Cairns, and on Christmas Island.

Casino's Austria, which will retain a 55 per cent interest in the Australian group, operates 55 land and 21 shipboard casinos, with a further nine contracted for operation.

The parent company's president, Dr Leo Walchner, said yesterday the group would use

Australia as a "launching pad" for expansion in the Pacific Rim.

The Australian company also holds options to participate in several of the parent's expanding casino operations, including projects in the US and Canada and on cruise ships operating from Greece.

CAI is projecting an increase in revenue to A\$71.5m (US\$53.6m) for 1995 from A\$61.4m this year. A A\$10.9m pre-tax profit has been forecast for 1995.

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Cable & Wireless results for 6 months to 30th September 1994

- Turnover up by 9% to £2.5bn.
- Operating profit up by 17% to £592m.
- Profit before tax up by 11% to £567m.
- EPS up by 7% to 11.9p.
- Recommended interim dividend per share up by 9% to 2.83p.



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Four years of explosive growth for GDRs

India leads the way as emerging markets embrace the global depositary receipt, reports Martin Brice

The global depositary receipt, a financial instrument with humble beginnings, has been pushed into the spotlight by the increasing globalisation of equity markets and a steep increase in demand for capital from companies in the emerging markets of Latin America, Asia and eastern Europe.

Since its birth with the first GDR market in 1990, the GDR market has experienced rapid growth. Issues to date this year exceed \$5.6bn, an increase by a factor of 137 since 1990. Growth has outpaced that of the international bond markets, where issuance doubled to \$481bn between 1990 and 1993.

Growth has been particularly rapid in India, where use of the depositary receipt mechanism allows international investors to circumvent the 45-day settlement period on the Bombay Stock Exchange.

The attraction of ease of settlement is likely to lead to a further surge in growth of the GDR market as Russian companies seek international capital. Using local stock exchanges to raise the money needed for investment and modernisation would be impossible.

Already Kleinwort Benson, the UK merchant bank, is planning a multi-billion GDR when Gaspro of Russia, the world's biggest gas company, sells a 9 per cent stake to international investors next year.

As well as ease of settlement, use of a GDR allows international investors access to equity markets which would

otherwise be out of reach.

Jardine Fleming, the UK-based investment bank, has constructed a \$350m issue for Bempres, the largest broadcasting group in the Philippines, to allow foreigners to own GDRs but not the underlying shares, because there are restrictions on foreigners holding media shares in the Philippines.

One of the leading banks in the sector, Jardine Fleming also recently arranged a GDR for an Indian company that uses wind power to produce electricity, which was heralded as the first "green" GDR.

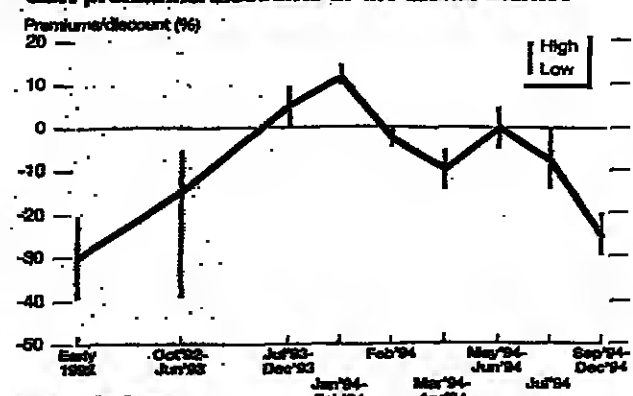
Most generally, growth in the GDR market is partly a reflection of the globalisation of the world's equity markets, as investors in mature economies seek opportunities in emerging markets and as companies in those markets seek international capital.

This trend is noted in a recent report* on the global capital market by McKinsey Global Institute, the management consultants. The report says: "There will be a coincidence of needs between the high savings of the developed world that will be seeking high returns and the abundance of high-return investment opportunities in the developing world that will require external capital and know-how."

This coincidence of needs has come to a head in India, where the government has embarked on a process of liberalisation of foreign trade and investment.

The GDR has been used by Indian companies to raise more

GDR premiums/discounts in the Indian market



than \$2.2bn so far this year, making India the biggest GDR market in the world. By the end of this year, almost \$2.5bn in GDR issues will have come from India. Last year the total was less than \$800m.

Since the first Indian GDR was issued in 1992, 50 Indian companies have received almost \$4bn of the \$11bn raised from GDR issues.

Mr Ian Hamman, a director of Jardine Fleming, believes India has many attractions over other emerging markets. "The real attractions are the existence of a middle class the size of the entire USA, and a recognised legal and accounting framework for the ownership of assets."

The absence of a legal framework for the ownership of assets is a problem for the emerging economies of eastern Europe, but not for India, he said.

The year started well for Indian GDRs, with about a dozen issues in January and February. They were well received, with international investors paying a premium of about 11 per cent over the depositary receipt over the underlying shares.

However, sentiment deteriorated in February, partly because yields on US Treasury bonds rose. International investors began to sell their GDRs, which fell to a discount of about 5 per cent to the underlying shares.

As the price of GDRs fell, the discount deepened to around 15 per cent as international investors began to put funds aside for the sale in May of Vishesh Sanchar Nigam (VSNL), the state-controlled international telecommunications monopoly.

The Indian government postponed that sale, which it had hoped would bring in \$1bn. However, investors believed

that the price, set by the government in consultation with VSNL and global co-ordinators Kleinwort Benson of the UK and Salomon Brothers of the US, was too high.

The postponement was regarded at the time as India's biggest setback in the international capital markets since Indian issuers first raised funds.

Meanwhile, the Indian government's recent announcement that it is changing the rules for companies issuing GDRs may mean the market is about to enter a new phase.

India has ended the use of warrants, which give investors the right to buy shares at a fixed price in the future. Warrants were often used to make an offer more attractive, since they could be priced more cheaply than existing shares.

The end of warrants is likely to mean a two-tier market emerging for Indian GDRs, where some investment bankers, whereas blue-chip companies like Bajaj Auto, whose issue was priced at a premium to the underlying share, are likely to find an enthusiastic welcome, second-line companies are likely to struggle, bankers believe.

However, with more than 20 permissions given by the Indian government for fund-raising issues of \$100m currently outstanding, the GDR has an active future.

At least one London merchant bank is believed to be looking at using GDRs to finance telecom projects in India, which is likely to remain the biggest market for GDRs.

HOW THE BANKS LINE UP

Bookrunner	US\$M	No of issues
1 Goldman Sachs	2,120	14
2 Jardine Fleming	1,570	10
3 CSFB	777	8
4 HSBC	770	10
5 Morgan Stanley	770	7
6 BNP	686	10
7 Banco Roberts	535	2
8 Barque Paribas	445	6
9 Lehman Brothers	368	5
10 Merrill Lynch	315	5
11 Citicorp	304	3
12 Schroder Wagg	280	2
13 J.P. Morgan	278	2
14 Kleinwort Benson	225	2
15 Deutsche Bank	142	1
16 Citicorp	126	2
17 Daiwa	116	2
18 Smith Barney	107	1
19 S.G. Warburg	95	2
20 Peregrine Capital	90	2
21 Crosby Securities	85	1
22 Barque Indosuez	82	1
23 Bankers' Acquisit	51	1
24 N.M. Rothschild	50	1
25 Lazard Brothers	35	1
26 Lucky Securities	35	1
27 Niddo Securities	35	1
28 Dresner Bank	16	1
29 UBS	15	1
Total	11,113	114

Source: Euromoney Bankers

The McKinsey report says: "We believe we are... at a midpoint of a 50-year process in... a fundamental transformation of how the world's economy works." The GDR looks set to play an important part in the globalisation of equity markets.

* The Global Capital Market: Supply, Demand, Pricing and Allocation; McKinsey Global Institute, Washington DC.

CBoT to assist Poland with new futures exchange

By Laurie Morse in Chicago

The Chicago Board of Trade will today sign an agreement with Polish officials to help establish a new futures exchange in Warsaw. The CBoT exchange has promised to contribute its expertise in market development in return for unspecified fees and 15 per cent ownership of the new exchange.

Although US futures exchanges have informally assisted emerging markets for years, this is the first time one has commanded an ownership stake in a new venture.

The CBoT's agreement is with a foundation led by the Polish government agency for agricultural markets and Rolimpex, a Polish agribusiness concern.

Mr Patrick Arbor, the CBoT's chairman, said the agreement was the first of a series of innovative international business arrangements his exchange expects to make.

The membership equity gained from the Warsaw exchange "will provide addi-

tional trading opportunities for our members and member firms," Mr Arbor said.

Polish officials see the creation of a commodities exchange as an important step in the transition to a free market economy. They expect wheat to be the first commodity traded there.

However, futures trading may be a long way off for the country, which first needs to develop a free primary market for grain, and a legal framework for a futures market.

Mr Fred Gredle, the CBoT's senior vice-president in charge of operations and planning, acknowledges the difficulties that face the venture. "One of the key questions is how to create a properly functioning cash market," he said. He added that his exchange plans to use the expertise of its membership to help develop the underlying systems needed to support futures trading.

Goldman Sachs initiated the talks between the CBoT and Poland, and intends to continue to serve as an adviser and consultant on the project.

Chemical Bank unit in Liffe joint venture

By Richard Lapper

Seagrays Fosh Futures, an independent UK futures and options broker, is to set up a 50-50 joint venture with Chemical Futures & Options (UK), a subsidiary of Chemical Bank of the US.

The new company, SGF Chemical Futures and Options, will deal in both futures and options on Liffe, taking advantage of Seagrays' position as a leader in the exchange-traded options market in London.

It will make use of CF&O's existing expertise in clearing and settlement, providing a "one-stop service" for both execution and clearing of trades.

The new venture is keen to increase its presence in the futures market and also hopes to be better placed to meet

increased demand from hedge funds, many of which want a combined execution and clearing service, said Mr Matthew Fosh, a director and co-founder of Seagrays.

Unlike bank traders, hedge funds generally buy clearing services from third parties, explained Mr Fosh.

Seagrays, which employs a team of 25, was set up by Mr Fosh and Mr James Campbell-Cray, an independent trader on Liffe since its inauguration.

Mr Fosh previously worked at stockbrokers Strauss Turnbull and then Sheppard.

CF&O was set up in April 1990 to complement Chemical Futures & Options Inc's Chicago and Philadelphia operations and help capture the global growth in exchange-traded derivatives.

Share surrogate that is easy to trade and settle

Depositary receipts have enjoyed such success because they can make buying and selling equity in a company easier for international investors than buying and selling the shares on a local stock exchange, writes Martin Brice.

● The depositary receipt represents ownership of shares which remain in safe-keeping with a bank in the issuer's home market, often either Bank of New York or Citibank. The receipt itself may be traded elsewhere.

● Dividend payments are usually in US dollars, and voting rights are usually the same as for the underlying stock.

● There is little technical difference

between a global depositary receipt (GDR) and an American depositary receipt (ADR), although depositary receipts listed in the US tend to be called ADRs while GDRs are often listed elsewhere - for instance in Luxembourg and increasingly in London.

● The first ADR was issued in 1927, but the first GDR came only four years later. The forthcoming listing by TeleWest, the UK cable television and telecommunications company on the US exchange Nasdaq will be called an ADR, but may be bought by any international investor; the recent issue by Bajaj Auto, the Indian scooter

maker, was listed in London and called a GDR.

● When investors buy and sell GDRs, settlement may be through CedeL, Euroclear or DTC, the US settlement system.

● Issuing a GDR would cost a company around \$100,000. A depositary receipt offered and listed in the US would cost a company up to \$1m, of which about half would go on lawyers' fees.

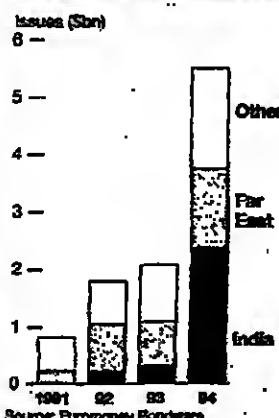
● GDRs and the shares they represent are traded independently. Where there are barriers to international investors accessing the local stock market, the GDR may fetch a lower or higher price than the shares in the home market.

● In 1990 Citibank, the US bank, pioneered GDRs with a \$40m issue for the Korean company Samsung. In May this year Citibank developed the Singapore depositary receipt, which allows companies outside Singapore to offer depositary shares to Singapore investors.

● Much of the business is now sourced from investment banks in London, with Goldman Sachs and Jardine Fleming the leaders.

● About 90 depositary receipts are traded via Seagrays International and listed on the Luxembourg stock exchange. Around 275 depositary receipt programmes are listed in the US.

Growth of GDR market



Source: Euromoney Bankers

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Pursuant to Paragraph (d) of the Terms and Conditions of the Notes, notice is hereby given that the period in respect of Coupon No. 42 will run from November 26, 1994 to December 28, 1994. A further notice will be published by Citicorp, N.A. (Issuer Services), Agent Bank.

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Analysts trim forecasts as 13% profits growth disappoints City

Amersham restricted to £19.6m

By Daniel Green

A disappointing performance in Japan and continental Europe limited first half profits growth at Amersham International.

The health science group lifted pre-tax profits for the six months to September 30 by 13 per cent to £19.6m (£17.4m) on sales up 6 per cent at £163.1m (£153.7m).

Mr Bill Castell, chief executive, acknowledged that the results were at the low end of analysts' expectations. The share price fell 8p to 228p.

He said that the sluggishness of life sciences, the company's largest division, had been caused by bureaucratic delays in government funding of research, especially in Japan and France. Research laboratories are among Amersham's best customers. In addition, the dollar's weakness boosted

the competitiveness of US rivals.

Life sciences' operating profits were £15.3m (£15.6m) on turnover of £74.4m (£72.4m).

The industrial division, involved in industrial quality and safety assurance, also disappointed. A changing product line had added to costs without adding to sales, said Mr Castell. Operating profits dropped from £2.5m to £1.3m.

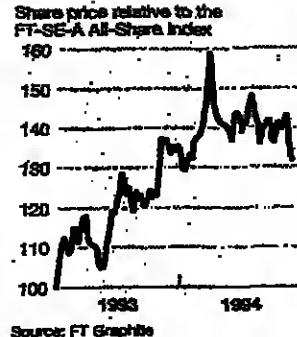
The best performing division was healthcare. Operating profits rose to £5.5m (£1.5m) thanks to the performance of new products - Metastrom, for cancer pain, and Myoview for imaging the heart. Turnover grew from £54.7m to £62.3m.

Mr Castell said that the healthcare division would remain the "major profits driver in the near term".

Earnings per share were 12 pence higher at 20.8p (18.6p) and the interim dividend

Amersham International

Share price relative to the FT-SE-100 All-Share Index



Source: FT Graphite

is raised from 4.4p to 4.9p.

COMMENT

Amersham had the highest p/e in the UK health sector - 20.6 - until yesterday's results. The rating was based on prospects for Metastrom, a drug which promises to take the company

beyond medical imaging into

the potentially lucrative field of cancer treatment. However, doctors and drug regulators are conservative folk. Approvals are slow in coming and buyers must be persuaded to change their prescribing habits. Add to that uncertainty over research spending in both public and private sectors as costs remain under scrutiny, and it is just as well that analysts' forecasts have now been trimmed. Pre-tax profits for the full year are likely to fall well short of £50m, with earnings per share just making it to 50p.

Profits are forecast to grow at 20 per cent next year, giving roughly £57m pre-tax and earnings of 60p. The 1995-96 prospective p/e of 15.5 is still close to the top of the sector. Amersham remains a long-term growth stock, but investors should brace themselves for more short-term weakness.

Barrs shrug off board's franchise warnings

By Richard Wolff

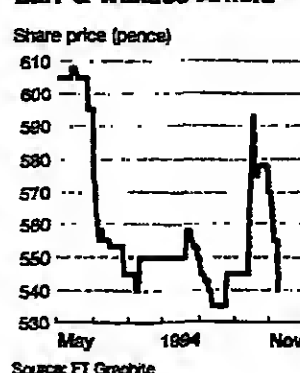
The board of Barr & Wallace Arnold Trust, whose voting shareholders are split by a family feud, yesterday warned that the motor side of the group could lose its distribution franchises.

The board said that two car manufacturers had threatened to terminate franchises if rebel shareholders vote down its proposals to enfranchise the non-voting A shares. These shares, owned almost entirely by institutions, yesterday fell 21p to 263p, while the ordinary voting shares closed 15p down at 540p.

The motor distribution division is expected to account for 70 per cent of the leisure and motor group's profits this year.

The family feud broke out last month when Nicholas and

Barr & Wallace Arnold



Source: FT Graphite

Robert Barr asked their uncle, Mr Malcolm Barr, to step down as chairman of the group. The brothers, who claim majority support among voting shareholders, have also requisitioned an EGM to unseat Mr John Parker, chief executive, and Mr Brian Small, finance director.

They say they can unlock shareholder value by splitting the group's two divisions into stand-alone businesses.

However, the board has called another EGM to vote on enfranchisement on November 25, one week before the rebels' EGM. Enfranchisement would reduce family control from about 55 to 18 per cent.

The board seems likely to lose both EGM votes after Mr Kerry Firth, a Barnsley-based businessman with 16 per cent of the ordinary shares, reaffirmed his support for the rebels yesterday.

Mr Firth, who was asked by the board to referee a meeting with the Barr brothers this week, said: "Whatever support the board may have had from me in the past, they will not get in the future."

"The company has underperformed under the present chairman. That is why there is discomfort among shareholders and why they are giving their votes to the brothers."

Attempts to hold a meeting between Malcolm Barr and his nephews broke down on Tuesday in a row over correspondence from the car manufacturers.

Nicholas Barr yesterday condemned the warnings over the distribution franchises. "This is a blatant attempt by the board to safeguard its own position at the expense of shareholders," he said.

Mercury faces cost cuts as profits fall by £3m

By Paul Taylor

The substantial restructuring programme at Mercury Communications announced yesterday by Cable & Wireless is part of a package of measures designed to prepare the UK telecommunications company for increased market competition in the second half of the 1990s.

Although Lord Young of Gifford, Cable & Wireless chairman, declined to elaborate on the scale of the job cuts at Mercury, the unions believe that up to 10 per cent of Mercury's 11,400 jobs could go.

City analysts believe that the job reductions needed to reposition the company could be even higher. Yesterday some were pencilling in charges of up to £50m to cover the cost of reorganisation and suggesting that the result could be annual savings of about £40m.

The need for cost reductions of this scale was highlighted by a £3m fall in Mercury's first half operating profits to £96m,

revealed in C&W's interim

results yesterday - although the group insisted the programme had been under consideration for several months.

The profit decline at Mercury, which largely reflects competitive and regulatory factors, was a surprise to analysts and overshadowed the 11 per cent rise in C&W's pre-tax profits.

Solid growth in call volumes and a 50 per cent increase in customer lines was not matched by profit improvement, which Lord Young and other senior executives said was mainly because it had been hit harder than expected by regulatory changes.

In particular Mr James Ross, C&W's chief executive, said the net effect of regulatory measures - including a double price cut imposed on British Telecommunications by Ofcom, the regulatory authority, and substantially higher Access Deficit Charges - will reduce Mercury's profits by £100m in

the full year, compared with

between £25m and £30m in a more normal year.

Mr Mike Harris, the former Mercury chief executive who has been moved as part of a senior management reshuffle to head a C&W group development division, said a review under way by Ofcom is expected to alter the system of ADCs which rival operators pay to BT.

Lord Young emphasised that Mercury was being repositioned to face the growing competition in the UK telecommunications market.

As part of this process Mr Duncan Lewis, who was in charge of C&W's US operations and director of the group's business networks, has taken over as Mercury's chief executive. He will announce details of the cost cuts and job reductions at Mercury within the next month. At the same time Mercury's structure is being reorganised into services and networks divisions. See Lex

Bibby falls £10.7m into the red

By Peter Pearce

J Bibby & Sons, the conglomerate, yesterday reported a tumble into pre-tax losses for the year to September 24, after exceptional charges.

However, the shares rose 10p to 70p as operating profits rose from £21.1m to £29.4m.

Bibby, which is 79 per cent owned by Barlow of South Africa, announced pre-tax losses of £10.7m (£7.07m profits) on turnover down at

£764.6m, compared with

£791.5m.

Exceptional charges totalled £30.6m, relating to the £41.7m disposal in May of the agricultural feeds business to Associated British Foods, and the cost of restructuring what is now the industrial division.

The feeds business contributed turnover of £2.95m (£2.82m), and there were losses of £20.4m from its disposal, the closure of operations and goodwill. Within continuing

operations, there were losses of

£6.72m from disposals, closures and goodwill and other restructuring costs of £3.48m.

Mr Richard Mansell-Jones, chairman, said: "The restructuring of the group is mostly done and we have fully provided for everything we can think of."

Interest charges were reduced to £10m (£14.1m). Borrowings fell to £82.1m (£122.8m) after the sale of the feeds business and a building in Spain. Lower rates, especially in

Spain, also helped.

Behind the operating profits rise, lay a sharp reduction in losses from capital equipment to £865,000 (£7.15m) and a rise in the industrial division to £11.1m (£9.05m). The agricultural business made profits of £2.95m (£2.2m) and materials handling, £14.4m (£15.1m).

Losses per share emerged at 11.59p (earnings of 2.26p) and the total dividend is lifted to 3p (2p) via a final of 2p. A special dividend of 2p was also paid following the disposal.

Last minute snag for Wellington

Lloyd's of London yesterday created a last minute hitch for a new underwriting company planning a stock market listing when its ruling council failed to agree fresh rules for corporate investment in the insurance market, writes Ralph Atkins.

Wellington Underwriting, which had announced plans to invest in seven Lloyd's syndicates run by the Wellington managing agency, is due to complete arrangements this week for placing 30m shares at 100p.

It had been awaiting Lloyd's approval, originally expected last Friday, for arrangements to allow existing corporate vehicles to invest in others.

Glaxo fends off attack on patents for Zantac

By Daniel Green

Glaxo, the drug company, has fended off one of several attacks on patents protecting its biggest selling drug, Zantac, for ulcer treatment.

This increases the chances that Zantac will not have competition from generic rivals for a year beyond the expiry of one of the drug's patents at the end of 1995. Zantac's US sales are running at about \$2.2bn (£1.34bn) a year.

A US district court has rebuffed an application by Novopharm, the Canadian generics maker, that part of a Glaxo suit for patent infringement against Novopharm be

rejected. The decision means

Glaxo's case goes ahead as before.

The first patents on Zantac expire in December 1995, and the 30-month delay from the patent suit filing should protect the drug from competition until late 1996.

Mr Leslie Dan, Novopharm chief executive, said yesterday if he had secured a partial dismissal of Glaxo's case, his case to have the 30-month period cut by the court would have been much stronger. Novopharm said that its generic version of Zantac would cost between 30 and 50 per cent less than Glaxo's drug.

Novopharm is also challeng-

ing the validity of a second patent on Zantac, which expires in 2002. Mr Dan said challenges to both patents will continue and that he remained "optimistic".

Separately, Novopharm has taken a step towards launching a generic version of Zantac based on the later patent. That step is a type of approval from the US Food and Drug Administration called a conditional Abbreviated New Drug Application.

Early launch would only be possible if Novopharm secured a reversal of last year's lower court decision upholding Zantac's 2002 patent. The case is with the US court of appeals.

COMMERCIAL UNION

NINE MONTHS' RESULTS

Profits increase to £305m

- ★ Operating profit before taxation increased by £165m to £305m, with a further strong performance in the United Kingdom.
- ★ Life profits increased by 8% to £94m.
- ★ General insurance trading conditions remain favourable in major markets.
- ★ The acquisition of Groupe Victoire in France took place during October. Results will be consolidated in the fourth quarter.

	9 months 1994 Unaudited	9 months 1993 Unaudited
Total premium income	£4,503m	£4,488m
Operating profit before taxation	£305m	£140m
Operating profit after taxation	£234m	£124m
Profit attributable to shareholders (note)	£283m	£236m
Operating profit per share	39.7p	20.7p
Shareholders' funds	£2,112m	£2,314m

Note: The profit attributable to shareholders includes realised investment gains after taxation of £69m (1993 £112m).

Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ

Ingham falls to £853,000 after provision

Ingham, the York-based motor parts, worsted spinning and property group, reported a 42 per cent fall in pre-tax profits, from £1.47m to £853,000, for the six months to end September.

Turnover was slightly ahead at £13.9m (£13.6m).

The result included the provision for an exceptional administrative expense of £210,000. This was in respect of potential compensation payable to Mr Nicholas McMahon Turner, the former chief executive, for loss of office.

Profits before tax and interest slipped in

both the motor group and the property division, but more than doubled for the group's spinning company, in spite of a steady rise in wool prices.

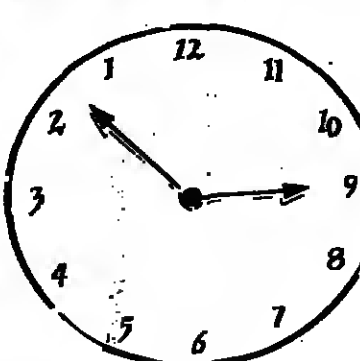
Earnings per share were down from 7.1p to 3.2p, with the interim dividend unchanged at 1.75p.

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COMPANY NEWS: UK

Electrocomponents improves 14% to £35m

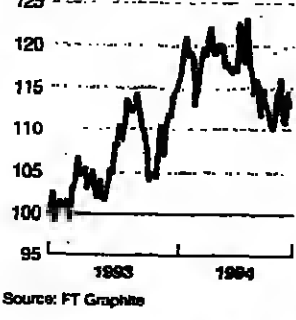
By Paul Taylor

Electrocomponents, the electronic, electrical and mechanical components distribution group, yesterday announced a 14 per cent increase in interim pre-tax profits, from £31.1m to £35.5m.

Mr Roy Cotterill, chairman said: "Our increased market presence coupled with the new marketing programmes and other initiatives introduced during the last 12 months continue to generate strong growth in both sales and profits."

Electrocomponents

Share price relative to the FT-SE-100 All-Share Index



Source: FT Graphika

Turnover from continuing operations grew by 18 per cent to £216.6m (£183.1m) in the six months to September 30; operating profits increased by 16 per cent to £34.3m (£29.7m).

Earnings per share rose by 14 per cent to 11.2p (9.8p) and, as part of a rebalancing process, the interim dividend is lifted to 3.25p (2.5p).

Turnover in the UK-based RS Components business rose by 13 per cent reflecting continuing sales initiatives and increased market share. As expected, RS's UK margins were slightly lower due to higher selling and marketing costs.

New products, particularly mechanical products which are

now featured in a dedicated catalogue for the mechanical engineer, were one reason for the sales growth. Mr Robert Lawson, chief executive, said the introduction of a CD-Rom catalogue in July had exceeded expectations, with more than 35,000 disks being issued to customers.

RS International sales increased by 42 per cent, helped by the group's greater penetration of overseas markets, particularly those in continental Europe.

Radiospares Components in France continued to show strong growth, while a significant advance was achieved in Germany. The Italian

operations were trading ahead of budget and expected to achieve profitability as planned within 12 months.

Meanwhile, Pact International increased its sales by 7 per cent and incurred a reduced loss in the seasonally weaker first half.

The group ended the period with net cash of £65.5m (£57.4m at end-March).

COMMENT

Electrocomponents continues to produce the sound results expected of it. Net margins will remain under pressure in the second half as marketing costs continue to increase - but the group has proved itself adept at spotting and exploiting new domestic market opportunities ahead of the competition. Having developed and proved new concepts, such as the CD-Rom catalogue and trade counters in the UK, the group's strategy is to take them overseas and grow the international business. Pre-tax profits should reach about £83m this year, producing earnings of just over 26p. The shares, which gained 1p yesterday to 472p, are still trading well below their 12-month peak of 585p, reached in January. It deserves the premium rating represented by a prospective p/e of 18.

Decline at Hambro Insurance

By Richard Wolfe

Hambro Insurance Services Group yesterday blamed low levels of insurance claims for the continued poor performance of its loss adjusting subsidiary and a decline in group profits.

Mr Nicholas Page, managing director, said: "The volume of claims has declined and I am hoping that it has bottomed out. Pressure on volumes translates into pressure on fees, particularly in the UK."

The shares closed down 9p at 108p yesterday, 24 per cent lower than the placing price of 138p when the group was floated in June last year.

It reported pre-tax profits of £3.05m (£3.25m) on turnover up 20 per cent to £40.2m (£33.4m) in the six months to September 30.

Cunningham, the loss adjusting division, reported pre-tax losses of £432,000 (£272,000 profits). Earnings per share fell to 2.94p (3.05p) but the interim dividend is again 1.85p.

The company yesterday announced a joint venture with Morden & Helwig of the US to create a worldwide loss adjusting and claims management network, called Cunningham Lindsey International.

A new perspective on rankings

Nicholas Denton looks at a revamped league table of M&A advisers

Quarterly league tables of mergers and acquisitions arouse as much scorn as fascination on the part of the financial advisers they measure.

Investment banks - especially those disappointed with their standing - complain that all they provide is a snapshot, and a blurred one at that. A single deal can upturn the rankings and the criteria including a transaction can be arbitrary.

Next week however Acquisitions Monthly, the leading compiler of M&A data in the UK, will publish a league table less vulnerable to dispute. Covering public takeovers, both completed and failed, the report goes back nearly 10 years to the magazine's foundation in 1985.

SG Warburg heads the list, putting recent losses on trading and disappointing interim results into perspective. Hoylake's abortive £150m bid for BAT Industries in 1989 was the largest of £55.5bn of bids in which Warburg was involved.

Morgan Grenfell and Schroders emerge as the other pre-eminent takeover advisers of the decade. Morgan Grenfell has had its downs: the Guinness affair damaged the firm's reputation, and this year has been quiet. But the house, owned by and growing closer

to Deutsche Bank, has been adviser to one side or the other in more bids than any other: 226 to Warburg's 188. "I think it absolutely demonstrates that we dealt with the Guinness situation and put it behind us," said Mr Guy Dawson, a director of Morgan Grenfell.

Goldman Sachs comes in as the highest placed US investment bank. UK competitors caution that Goldman achieved its position by taking mainly subsidiary roles in a few large deals. But the US house's speciality of bid defence has paid off. Rivals admit Goldman has made inroads and the firm is increasingly acting as lead adviser.

Calculating the volume of deals is controversial enough, but Acquisitions Monthly has ventured into even more dangerous territory by producing figures on financial advisers' success rate in hostile bids.

Few conclusions can be drawn, however, from what remain small samples. Nevertheless traditional reputations, Warburg's for defence and Morgan Grenfell's for attack, are borne out. Schroders and Goldman Sachs also stand out as effective defenders of hostile bid targets, with Schroders helping to fend off challenges in 59 per cent of the cases in which it was involved.

Morgan Grenfell and NM

FINANCIAL ADVISERS ON UK PUBLIC TAKEOVERS JANUARY 1985 - SEPTEMBER 1994

Adviser	No of bids	No of defences	Total	Value £m
SG Warburg (27)	97	101	198	85,451
Morgan Grenfell (1)	122	104	226	55,903
Schroders (4)	104	81	185	51,395
Goldman Sachs (-)	12	20	32	43,904
Lazard Brothers (14)	75	53	128	39,163
Kleinwort Benson (3)	74	111	185	37,424
NM Rothschild (6)	68	59	128	28,819
Hambros Bank (10)	62	41	103	26,507
Lahmann Brothers (-)	8	12	20	23,277
Samuel Montagu (11)	68	59	128	23,199

* 1985 ranking. This table is based on completed and failed UK public takeovers January 1985-September 1994 and only includes those advisers acting on 20 or more transactions. Source: Acquisitions Monthly

Rothschild offset apparently worse than average records in defence with the strongest performances of the top 10 in advising aggressors. "We have a very high hit rate," said Mr Russell Edey, head of corporate finance at NM Rothschild. The pair's clients managed to take over target companies more than half of the time.

Lazard Brothers, by contrast, is recorded as having won only two of 14 hostile bids on which it advised the aggressor. "You have to be terribly careful about what constitutes success," warned Mr John Dear, head of corporate finance. "We are never afraid of advising a client that he should walk

away rather than pay a silly price. The winner of a bid can turn out to be the loser in the long run."

That is just one of several flaws remarked upon in Acquisitions Monthly's findings. One bid, that by Hoylake which failed, catapulted Warburg into first place. Most important perhaps, public takeover activity has declined since the 1980s and represents only a small part of investment banking. One banker damns the league table with faint praise: "It is an interesting historical record."

As long as compilers produce M&A league tables, investment bankers will gripe, no matter how broad the timespan. And they will continue to pore over them.

Ugland returns to the black with £1.28m

By James Whittington

Shares in Ugland International yesterday rose 5p to 125p as the ship owner, manager and dry dock operator swung into the black with interim pre-tax profits of £1.28m, against a £780,000 loss.

A new management team has been in place since last October at the company, formerly known as Bristol Channel Ship Repairs. The Ugland family holds a 30 per cent stake.

Trading in the shares resumed last November at 108p following a three-month suspension during which the company was reorganised.

In the six months to September 30, turnover jumped to £13.4m (£4m) following an improved performance from the shipping interests and the April acquisition of Gerrards

Rederi in Norway. Earnings per share were 4.13p (6.96p losses) and a dividend of 1.65p (nil) is declared.

Mr Andreas Ugland, executive chairman, said last year's £19m rights issue and the addition of eight ships from the Gerrards acquisition - which brought the total to 18 - had given the company a good base to increase profits. Gerrards contributed £383,000 to the pre-tax figure.

Swansea Dry Docks, the ship repair business, fell to a £240,000 loss, on sales of £1.36m, owing to stiff competition. However, a second dry dock was opened in July and bookings had picked up after an intensive marketing campaign, Mr Ugland added.

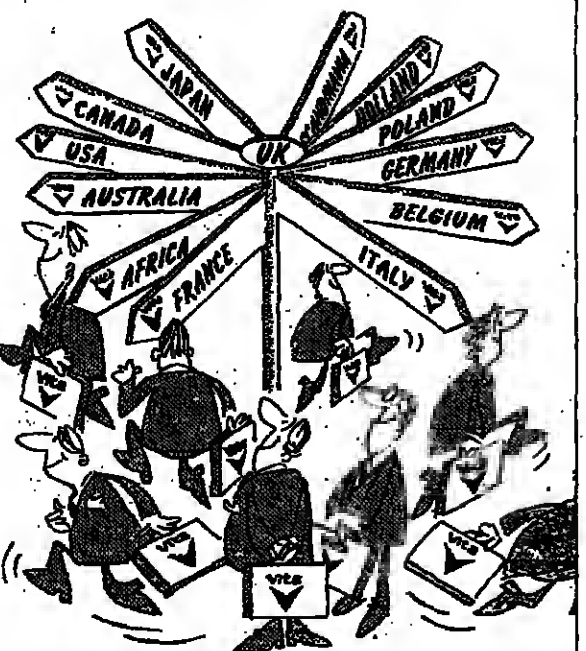
Net borrowings stood at £10.2m at the end of September, giving gearing of 45 per cent.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Amersham Intl	4.91	Jan 8	4.4	-	15.5
Bibby (4)	2.53	Feb 2	2.6	3	2
Cable & Wireless	2.25	Feb 28	2.5	-	8.25
Chemicals & HMI	2.25	Dec 21	2	-	6.5
Electrocomps	3.25	Jan 3	2.5	-	8.5
Forster	1.4	Jan 18	nil	1.5	nil
Hambro Insurance	1.85	Dec 18	1.25	-	5.55
Scottish Value	1	Jan 10	0.95	2	1.9
Ugland Intl	1.65	Feb 24	-	-	0.74
Yates Wine Lodge	1	Feb 20	-	-	-

Dividends shown pence per share net except where otherwise stated. *On increased capital. *Payable as foreign income dividend.

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CONTRACTS & TENDERS



INVITATION

TO SUBMIT EXPRESSIONS OF INTEREST FOR THE POSITION OF TECHNICAL MANAGING AGENT FOR THE OFFSHORE MARINE ESTATE

As part of their rolling programme of tendering major consultancy contracts the Crown Estate Commissioners will be tendering the position of Technical Managing Agent for the Offshore Marine Estate currently held by Pöschel Davies.

The Crown Estate Commissioners invite "Expressions of Interest" from those interested in participating in this tender. The Commissioners will decide on the basis of this information to whom to release tender documents. The tender will seek bids for a three year contract.

The Offshore Marine Estate is primarily concerned with Marine Aggregate Extraction and the role of Technical Agent includes Geological Analysis, and the full management of an AHC into GIS and an associated Electronic Monitoring System for all dredging vessels operating on Crown Estate Licences.

The terms of Expression of Interest including further information may be obtained from Dr A J Murray, The Crown Estate, 15 Carlton House Terrace, London, SW1Y 5AH (Telephone: 071 210 4314). Please quote reference.

Expressions of Interest must be received by Monday 28th November.

LEGAL NOTICES

This Notice is a Matter of record only-November 10, 1994

Curtis A. Phaneuf has filed in Federal District Court, District of Arizona, No. CIV-94-746 TVC WDB, for more than US\$25,000,000, due to nonpayment of promissory notes due and payable 15 May 1993, extended to 15 May 1994, issued by the Republic of Indonesia through Dewan Pertahanan Keamanan Nasional, AKA The National Defense Security Council-Jakarta, Indonesia.

Notes signed by: Dr. Ibnu Hartomo, Deputy of Development, Mr. S. Soehagyo Soedewo, Deputy for Long Term Planning and Mr. H. A. Chalid Mawardi, Ambassador Extraordinary and Plenipotentiary of the Republic of Indonesia.

Notes authorized by: Lt. General Achmad Wiranatakusumah, Secretary General.

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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:

GUAYANA DEVELOPMENT CORPORATION

CASE NO. 93-41444-HS-11

Debtor.

(Chapter 11)

NOTICE OF CHAPTER 11 CASE
AND DEADLINE FOR FILING CLAIMS

1. Commencement of Chapter 11 Bankruptcy Case and Appointment of Trustee. On February 22, 1993, Guyana Development Corporation ("GDC") commenced a Chapter 11 bankruptcy case under the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division ("the Bankruptcy Court"). On December 15, 1993, the Bankruptcy Court appointed David Askunase, a Houston attorney, as the Chapter 11 Trustee of GDC. Mr. Askunase's address is: David Askunase, Trustee, Hughes, Wetters & Askunase, L.L.P., 1415 Louisiana, 37th Floor, Houston, Texas 77002, (713) 759-0818 (telephone); (713) 759-6834 (facsimile).

2. Counsel. Counsel to the Trustee in the GDC Chapter 11 bankruptcy case in the law firm of Kirkendall, Ingur & Rothfelder, L.L.P., 700 Louisiana, 48th floor, Houston, Texas 77002, (713) 225-4646 (telephone); (713) 225-1284 (facsimile). Correspondence to the Trustee's counsel should be addressed to the attention of David A. Jones.

3. Property of the Estate. Under a series of Orders, the Bankruptcy Court has determined that the assets of Edward W. Callan, Edward Callan Interests, South West Property Holdings, Ltd., Allied Maritime, Inc. and Guyana Joint Venture Partnership are property of GDC's bankruptcy estate. GDC also owns, or owns an interest in, South Cut Guy Company, Ltd., Guyana Exploitation Ltd, Balken Explorers Ltd, Balken Explorers (Bulgaria) Ltd, Petromineros S.A., Petromineros del Peru Ltd, Kuruk Petroleum Pukitutu Ltd., Cusumane Petroleum Ltd., Colosans Petroleum Ltd., Four Leaf Limited Partnership, Adgewater Corporation, Miami Real Estate Ventures Inc. IV, Eldorado Ltd., North Africa Petroleum Limited and Ashby Park Investments. If you are a creditor of any of these entities, please read paragraph 5 as your rights may be adversely affected if you do not file a proof of claim.

4. Notice. GDC's known creditors will receive (i) a copy of GDC's disclosure statement and proposed plan of reorganization; (ii) notice of the date of the confirmation hearing on GDC's proposed plan; and, (iii) notice of any other matters required by the Bankruptcy Court or the Bankruptcy Code. Any GDC creditor or party-in-interest in the GDC Chapter 11 bankruptcy case may receive notice of hearings and copies of any other documents filed with the Bankruptcy Court in GDC's Chapter 11 bankruptcy case by filing an appropriate notice with the Bankruptcy Court under Bankruptcy Rule 2002 and providing a copy of such notice to the Trustee and his counsel.

5. Claims. The Bankruptcy Court has established Tuesday, January 31, 1995 ("the deadline") as the deadline for filing claims with the Bankruptcy Court in the GDC Chapter 11 bankruptcy case. Proof of claim forms are available from the Clerk of the Bankruptcy Court. A claim may be filed by mailing (i) an original and a copy of your proof of claim along with a self-addressed envelope to U.S. Bankruptcy Court, P.O. Box 61288, Houston, Texas 77208, and (ii) a copy of your proof of claim to Trustee's counsel. If you are a creditor of GDC or any of the entities listed in paragraph 3 and wish to pursue your claim, then you must file - on or before the deadline - a proof of claim with the Bankruptcy Court and deliver a copy of such proof of claim to the Trustee's counsel. If you do not, then your claim may be time-barred and you may not be entitled to a dividend, if any, from the liquidation of the GDC estate. If a proof of claim is filed with the Bankruptcy Court through the mail, then such proof of claim must be received by the Clerk of the Bankruptcy Court on or before the deadline. If a proof of claim is received by the Clerk of the Bankruptcy Court after the deadline, then such claim may be time-barred and you may not be entitled to a dividend, if any, from the liquidation of the GDC estate.

This form of notice was approved on October 17, 1994 by the Bankruptcy Court, the Honorable Karen K. Brown presiding.

David Askunase, Trustee
Hughes, Wetters & Askunase, L.L.P.
1415 Louisiana, 37th Floor
Houston, Texas 77002
(713) 759-0818 (telephone)
(713) 759-6834 (facsimile)

Trustee's Counsel:
Kirkendall, Ingur & Rothfelder, L.L.P.
700 Louisiana, 48th Floor
Houston, Texas 77002
(713) 225-4646 (telephone)
(713) 225-1284 (facsimile)

COMPANY NEWS: UK

Carlisle funds property expansion

By Simon Davies

Carlisle Group yesterday completed its transformation from a financial services company to a property group with the announcement of a £14.4m placing and open offer to help fund £29m of property purchases.

The transaction will almost double the size of Carlisle, whose primary operating business is the Pepper Angliss & Yarwood property agency.

Mr Nigel Wray, chairman and largest shareholder, said: "The deal gives us the balance sheet that will enable us to take

the next step. We'd like to trade out a lot of this portfolio and get more heavily involved in the Mayfair area."

The company is offering 75.6m new shares at 20p on a 10-for-11 basis.

Carlisle will pay £4.5m for Strathaver, the investment holding company which owns the portfolio. It has agreed to repay £4.5m of Strathaver's £24.5m debt immediately, and will repay a further £6.95m by the end of the year.

Strathaver is 80 per cent owned by Coats Viyella. The family of Mr Jonathan Harris, Carlisle's chief executive, holds 26 per cent. It reported pre-tax losses of

£470,000 for the year to March 31 on turnover of £2.69m.

The company owns 16 commercial and industrial properties spread throughout England, with current net rental income of £2.68m. This represents a yield of more than 9 per cent. The deal, effectively a reverse takeover, provides Carlisle with the financial muscle to develop as a property investment group. Net assets will increase from £3.24m to £24m.

Trading in the shares was suspended and will not resume until December 8, when dealings in the new shares are due to commence.

Former tipster makes his mark

Carlisle's reconstruction comes as no surprise, says Simon Davies

The transformation of Carlisle from a small financial services company into an ambitious property investment company has caused little surprise, as it carried the classic hallmark of its main shareholder, entrepreneur Mr Nigel Wray.

The former tipster, who bought the Fleet Street Letter for £7,500 and transformed it into the multi-million pound concern that eventually became Carlton Communications, has had enormous success reconstructing shell companies.

In 1988, his newsletter group Chartsearch launched a successful bid for Burford, a fledgling USM-traded property group.

It has since been transformed into a £270m-capitalised group which owns the Trocadero and a £100m prime portfolio acquired from Ladbroke in February.

Mr Wray is hoping to do the same with Carlisle, a company he has known since the mid-1980s, when he acquired a large holding in its former incarnation, Somportex. Its primary business at the time was Slush Puppy. He sold the bulk of his shares in 1987, but repurchased 33 per cent of Carlisle in January at a substantially lower price.

Mr Wray's love of small companies dates from his days as a trainee fund manager with Singer & Friedlander.

After his success with Fleet Street Letter in the early 1980s, he launched a spate of takeovers, including a bid for Singer 10 years after he left it as a trainee.

He has managed to keep on good terms with his investments, and retains directorships and small shareholdings in both Singer and Carlton.

His other main investment is a 13.5 per cent stake in The People's Phone, the independent cellular phone service provider, which now has 180,000 subscribers and should make profits of £8m this year.

Mr Wray sees himself as an investor in people. He has focused on basic businesses and backs managements in which he feels confident.

"My job is to make sure that I have got the right chief executive, that he's doing his job well, and that he's got the optimum conditions in which to work," he said.

Property is a business he likes. At Burford he found a company run by ambitious chief executive and fellow Mill Hill old boy Mr Nick Leslau.

His aim was to establish a conservatively financed group that could focus on investing in problem properties, producing a reasonable rental stream but requiring intensive management.

In the case of Carlisle, he is backing Mr Jonathan Harris, who worked his way up from office boy to senior partner at property agency Pepper Angliss & Yarwood, Carlisle's only operating business.

Mr Harris, Carlisle's chief executive, has spent the last four years trying to reverse the actions of a previous management which took the group into stockbroking and Welsh gold mining, with disastrous results. He is finally in a position to move forward.

"Carlisle's strategy is to acquire properties whose value can be enhanced by intensive management", said Mr Wray, echoing the old policy of Burford.

He is keen that Carlisle should build investment in Mayfair, funding purchases through trading out existing properties and, if the market will support it, new equity.

Carlisle's timing has not been immaculate. An earlier deal, involving the purchase of some small properties from Burford, was blocked by the Stock Exchange because the holding company did not have a three-year track record.

Carlisle's share price at the time was about 30p, compared with Tuesday's closing price of 22p. However, Mr Wray himself has fared better, having bought in at 11p. Following the placement, his shareholding will be diluted to 17.7 per cent, but he maintains that he is there for the long term. "I like the stock market, but when I look back, it is only the investments that I've had for five or 10 years that count," he said.

Receiver sells rump of RFS Industries

By Simon Davies

Price Waterhouse, receiver to RFS Industries, the former British Rail-owned engineering company, has sold the last of its businesses to a management buy-out, saving 350 jobs at the Doncaster-based company.

RFS was a £5m management buy-out

from BR in 1987, and was the first privatisation of its rolling stock manufacturing operations.

However, the company used its revitalised finances to expand into new businesses, and having drastically overextended itself, went into receivership in December 1993.

The company's core rail passenger

rolling stock and bogie design operations were sold in May to Bombardier Borsoral for an undisclosed sum. This represented about 60 per cent of group turnover.

The remaining overhaul operations are being sold to the MBO. RFS employees will own 33 per cent of the company, with the remainder taken up by backers, including Yorkshire Fund Managers and Sun Life.

Rationalisation benefits Fenner

By Andrew Baxter

Rationalisation, organic growth and new products helped Fenner, the power transmission, fluid power and industrial belting group, lift full year pre-tax profits from just £315,000 to £8.15m.

Operating profits before exceptional items for the year to August 31 rose 27 per cent to £12.2m, the highest for four years, while turnover slipped from £201.6m to £200.8m. After adjusting for disposals and exchange rate movements, turnover rose 5 per cent.

Exceptional items fell from £6.3m to £2.6m as redundancy and rationalisation costs fell. Interest charges dropped from £3.6m to £1.9m, reflecting last September's rights issue and placing.

Earnings per share, after exceptional items, were 4.49p (5.97p losses).

Mr Mark Abrahams, chief executive, said the biggest achievement was the turnaround on the power transmission side - Fenner's largest business and one that was formerly for sale.

In spite of continuing difficult trading conditions, the division reported its first operating profit for three years.

The "star performer," said Mr Abrahams, was the polymer business, which was helped by a 20 per cent rise in

US sales and strong growth in hose and ducting sales.

The fluid power division was helped by a strong performance in the US, and from initial sales in continental Europe and the US of Fenner's new vapour recovery system for use at petrol filling stations.

Mr Abrahams said, the system, which returns allegedly carcinogenic vapour back to the filling station tank, could become a "very material" part of the division.

A final dividend of 1p (nil) will be paid as a foreign income dividend, a measure introduced at the interim stage to save on ACT. The total for the year is 1.5p (nil).

COMMENT

After recession, things are coming right at last for Fenner, due as much to its own efforts as to improved market conditions. The main problem, power transmission, has been sorted out and offers a solid, if unexciting, future. The rights issue and placing has cut gearing from 54 to 10 per cent and gives a better springboard from which to exploit new products - especially the vapour recovery system. Organic growth and a further reduction in exceptional items should give pre-tax profits of about £13m this year. Assuming a lower tax charge, the prospective p/e is reasonable at 12 to 13.



Colin Clarke, chairman, (left) and Mark Abrahams with Fenner's new vapour recovery pump for petrol filling stations

No FT, no comment.

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Prices for electricity determined by the
operation of the electricity market
in England and Wales from 1st
January to 31st March 1994

Period	12 hour period	24 hour period	Peak	Off-peak
01/01	10.04	8.00	8.00	8.00
02/01	10.04	8.00	8.00	8.00
03/01	10.04	8.00	8.00	8.00
04/01	10.04	8.00	8.00	8.00
05/01	10.04	8.00	8.00	8.00
06/01	10.04	8.00	8.00	8.00
07/01	10.04	8.00	8.00	8.00
08/01	10.04	8.00	8.00	8.00
09/01	10.04	8.00	8.00	8.00
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06/03	10.04	8.00	8.00	8.00
07/03	10.04	8.00	8.00	8.00
08/03	10.04	8.00	8.00	8.00
09/03	10.04	8.00	8.00	8.00
10/03	10.04	8.00	8.00	8.00
11/03	10.04	8.00	8.00	8.00
12/03	10.04	8.00	8.00	8.00
01/04	10.04	8.00	8.00	8.00

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مكتبة الجليل

COMPANY NEWS: UK AND IRELAND

Deeper losses and delay in mine reopening programme hit share price
Coal Investments £10m in red

By Michael Smith

Shares in Coal Investments, the mining company, lost another 7 per cent of their value yesterday after the company reported a 10-week delay in its mine reopening programme and interim pre-tax losses of £10.2m.

The shares fell continues a trend which began when Coal Investments and the Union of Democratic Mineworkers failed to secure nomination as preferred bidder for either of the central English coal regions.

Yesterday's closing share price of 87p compares with a high, achieved early last month, of 143p.

Losses for the six months to September 30 compared with a deficit of £88,000 last time. Turnover was £940,000 (nil) and losses per share 20p (0.2p).

Mr Malcolm Edwards, chairman, said substantial progress had been made in bringing the company's five mines back into production and the most difficult part of the development had been completed.

Full production had been achieved at the small mine at Cwmwili in Wales following earlier geological problems.

Two of the four larger mines were now ready to start commercial production.

Mr Edwards said that next year's production and sales from all mines would be greater than previously expected, although he declined to say by how much.

The company said production delays resulted from late delivery of machinery.

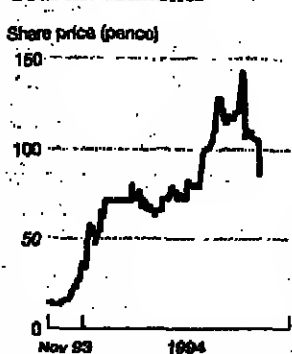
The cumulative effect would be a lower than forecast level of production and sales during the second half and consequent net cash outflow during that period.

The company had agreed terms in principle for additional loan facilities of £5m to meet this requirement.

It would refinance the loan as part of a further equity issue to be announced soon.

Mr Edwards was confident about prospects for 1995-96 and

Coal Investments



Source: FT Graphite

beyond. Excellent progress was being made in discussions with a number of coal buyers and directors were "confident that period sales contracts will be put in place for the greater part of the group's production".

COMMENT

Mr Edwards' high-flying shares have been floating back to earth recently, but investors who have been in from the

start can still reflect on a more than fivefold increase in their holdings in the year since he took over. In spite of the bidding disappointments and the production delays announced yesterday, many investors are still prepared to put their faith in the former British Coal marketing director. Losses could reach £1.4m this year but providing the company can mine and sell 3m tonnes a year, as some brokers believe is possible, it could make £14m in profits in 1995-96 excluding any effects of its holding in Mining Scotland, the preferred bidder for British Coal's Scotland region. Profits of £14m would put the shares on a p/e of about 5, rather low according to supporters. All very well, but the company still has much to prove. It must get the next share issue out successfully and it must show that it can meet its production and sales targets. Failure to show solid progress by the end of the year could meet with a stern response from the market.

Irish Life reorganises into two new units

By John McManus in Dublin

Irish Life has reorganised its UK and Irish operations into two new units. The retail business in Ireland and the UK are to be combined into one unit, while the Irish corporate business will be combined with the investment division into a second unit.

Previously, the Irish retail and corporate businesses operated as one unit while the UK retail business formed part of the European operations.

Mr Brian Duncan, chief executive of Irish Life Ireland, is to step down at the end of the year following the reorganisation.

Mr Duncan has worked for Irish Life since 1964, heading the Irish operation since 1985. He is now expected to take up a position in the Irish health insurance industry, being tipped to take over at VHI, the state-owned health insurance company.

The reorganisation is "designed to build upon the company's leadership position in our core retail and corporate business markets in Ireland and to underpin our strategic repositioning in the UK market," explained Mr David Kingston, managing director.

£200m Airtours bond

Airtours, the tour operator, has signed a new five-year bonding facility worth £200m, which will replace existing facilities.

It has been jointly arranged and underwritten by Barclays syndications, NatWest Capital Markets and Societe Generale.

Scottish Value Trust net asset value rises 12%

Scottish Value Trust increased net asset value per share by 12 per cent, from 97.34p to 109.15p, during the year to September 30.

The rise compared with gains of 7 per cent and 0.8 per cent respectively in the FT-SE-A Investment Trust Index and the FT-SE-A All-Share.

After-tax revenue increased from £845,000 to £1.01m giving earnings per share of 3.06p (1.76p).

As foreshadowed, the final dividend is 1p for a total of 2p (1.8p).

Thorn EMI discusses sale of sensors business to Racal

By Bernard Gray, Defence Correspondent

Thorn EMI, the music and rentals company, is in discussions with Racal Electronics over the sale of its defence sensors business.

No price has been disclosed, but the businesses, based at Crawley, West Sussex and Wells, Somerset, had turnover of about £75m last year.

The division employs 1,140 people. Its main products are

specialised radars, such as the Cymbeline weapon-locating radar, electronic counter-measures equipment and command and control systems for land forces.

Thorn is in detailed discussions with Thomson of France over the sale of its defence group business, which does not include the sensors operations. The defence group's turnover is about £80m and its main activities are fuses and electro-optics equipment.

Thorn has also sold its electronic security business. If both the defence and sensors sales are completed, it will only be left with its transaction ticketing operation outside its declared core areas.

Preliminary discussions on the ticketing business are also taking place.

Sir Colin Southgate, chairman, has said that the company will concentrate on its music production, music retailing and rental operations.

NEWS DIGEST

Villiers cuts loss to £1.54m

Villiers Group, the USM-traded specialist engineering company, reported pre-tax losses reduced from £2.83m to £1.54m for the year to July 31. Turnover was 45 per cent ahead at £2.72m, compared with a restated £1.87m.

Acquisitions contributed £1.21m to sales. Operating profits totalled £11,000 (£235,000 loss).

The company, which is US-based, said its continuing operations had been profitable since January. Following the disposal in June of its Starks Field oil operations for £2.5m (£1.52m), its operating accounts consisted entirely of engineering business. The second half had made a positive overall contribution, reducing the £1.86m loss reported at interim stage.

Losses per share improved from an adjusted 5.46p to 1.49p.

Chamberlin & Hill

Interim pre-tax profits fell 19 per cent at Chamberlin & Hill, the maker of iron castings, electrical conduit fittings and switchgear.

The figure for the six months to September 30 was £840,000, compared with £747,000, struck on turnover of £11.6m, up 11 per cent from £10.4m.

Mr John Eccles, chairman, said traditionally the second

half had proved stronger than the first, and this year should be no exception.

Earnings per share came out at 5.94p (7.35p), with an interim dividend of 2.25p (2p).

Scottish Power

Scottish Power has agreed contracts to buy the entire gas output of the Magnus Field in the North Sea for £150m.

Gas will be supplied for at least 10 years from October next year, and Scottish Power will initially bring ashore about 60m cu ft a day from the field.

Magnus is operated by BP Exploration in partnership with Repsol, Brasoil UK, Sunoil Britain and Coal Petroleum.

Scottish Power is building a portfolio of gas supplies for its Caledonian Gas marketing arm and its Longannet power station.

Bunzl expands

Bunzl, the distribution and cigarette filters group, has made its eighth acquisition in just over two years with the purchase of NL Whittaker.

The company, which incorporates the business of AW Holmes (Paper), supplies a range of disposable items, mainly to the hotel and catering trades.

Sales of the combined businesses in the year to December 31 1993 totalled £13m; net assets are estimated to amount to £2.6m.

Mr Anthony Haggood, Bunzl chief executive, said the deal

demonstrated the group's continuing commitment to the development of paper and plastic disposable activities, now its largest and most profitable business.

Seet

Shares of Seet dropped 7p to 44p yesterday after the textiles group reported sharply increased annual losses.

The group also announced that Homemaker Shops, its 47.7 per cent-owned loss-making associate, had sold its trading assets to Florida-based Linen Supermarket; the directors estimate that Seet will receive between £1.71m and £1.96m (£1.19m) but under Stock Exchange rules will have to seek shareholder approval to remit the proceeds as capital.

On turnover of £4.72m (£6.5m including £1.69m from discontinued activities), pre-tax losses for the 12 months to April 30 widened from £60,840 to £321,160. The outcome took in losses of £41,333 (profits of £75,330) at Homemaker and an exceptional write down against the US operation of £130,567.

Nevertheless, Mr Jock MacKenzie, chairman, remained upbeat. There had been a "significant improvement" since the year end, he said, with turnover at Peter MacArthur, the group's leading tartan manufacturer, "well ahead" on a year-on-year basis.

The Homemaker disposal eliminated bank borrowings - interest charges dropped from £148,838 to £36,872.

Losses per share were 8.88p (1.8p).

This advertisement is issued in compliance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange"). Application has been made to the London Stock Exchange for the new ordinary shares to be issued pursuant to the Placing and Open Offer and for the ordinary shares and convertible preference shares of Carlisle Group Plc ("the Company") to be admitted to the Official List. It is emphasized that this advertisement does not constitute an offer or invitation to any person to subscribe for or purchase securities of the Company. It is expected that admission will become effective and that dealings in the Company's new ordinary shares and in the existing ordinary shares and convertible preference shares will commence on 8th December, 1994.



CARLISLE GROUP Plc
(Incorporated and Registered in England No. 311804)

Proposed Acquisition of Strathinver Investments Limited and

Placing and Open Offer of 75,608,100 new ordinary shares at 20.25p per share by Collins Stewart & Co

Share capital immediately following completion of the Acquisition and Placing and Open Offer:

Amount	Authorized	Number	Amount	Issued and Fully Paid	Member
£20,000,000		200,000,000	£15,877,701		158,777,010
£3,000,000		3,000,000	£1,112,772		1,112,772
				ordinary shares of 10p each	
				convertible preference shares of £1 each	

Copies of the Listing Particulars relating to the Company may be obtained during normal business hours on any weekday (public holidays excepted) from the Company Announcements Office of the London Stock Exchange, Capital Court entrance, off Bartholomew Lane, London EC2N 1HP (for collection only) from the Exchange, Capital Court entrance, off Bartholomew Lane, London EC2N 1HP and from the date of this notice up to and including 24th November, 1994 from:

Walsh Lewson
Dorland House
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London SW1Y 4PH

Carlisle Group Plc
6 Canine Place
London W1Y 6LL

10th November, 1994

This advertisement is issued in compliance with the requirements of and has been approved by The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange") pursuant to Section 194(1)(a) of the Financial Services Act 1986. This advertisement does not contain any information about Murray Emerging Economies Trust PLC ("MET") (other than the information set out below) and should therefore be read in conjunction with the Listing Particulars dated 9 November 1994 (the "Listing Particulars") which also contain full details of MET and the securities being offered. Application has been made to the London Stock Exchange for the new ordinary shares and warrants to be admitted to the Official List. It is expected that listing will become effective and that separate dealings in the Ordinary Shares and Warrants will commence at 8.30 am on 7 December 1994.

MURRAY EMERGING ECONOMIES TRUST PLC

(Incorporated in Scotland under the Companies Act 1985 with registered number 153320)

Offer for Subscription

of up to 65,000,000 Ordinary Shares of 25p each (with Warrants attached on a 1 for 5 basis) at an issue price of 100p per share payable in full on application.

Sponsored by
de Zoete & Bevan Limited

Manager
Murray Johnstone Limited

KEY INFORMATION

Investment Objective

Murray Emerging Economies Trust PLC aims to benefit from the growth of emerging economies by investing in emerging and frontier markets worldwide for long term capital growth.

de Zoete & Bevan has received irrevocable undertakings from institutional and other investors to make applications to subscribe for in aggregate 45,630,500 Ordinary Shares (with Warrants attached) subject to the Offer, being 70.2 per cent of the maximum number of Ordinary Shares (with Warrants attached) available under the Offer.

Instructions for Delivery of Application Forms

Completed Application Forms should be returned by post to Clydesdale Bank PLC, Registration Department, Balfour House, 390-398 Iligh Road, Ilford, Essex IG1 1NQ, or delivered by hand to Clydesdale Bank PLC, New Issues Department, 30 Lombard Street, London EC3 30 as to be received not later than 10.00 am on 29 November 1994. If you post your Application Form, you are recommended to use first class post and allow at least two days for delivery.

If you have any queries relating to the Application Form please telephone Registration Department, Clydesdale Bank PLC on 081 478 1234.

de Zoete & Bevan Limited is a member of The Securities and Futures Authority Limited and the London Stock Exchange.

Copies of the Listing Particulars and the mini prospectus are available for collection from de Zoete & Bevan Limited, Ebbsgate House, 2 Swan Lane, London EC4R 3TS; Clydesdale Bank PLC, New Issues Department, 30 Lombard Street, London EC3 3BB; and Murray Johnstone Limited, 7 West Nile Street, Glasgow G1 2PX until 29 November, the date the Offer closes.

10 November 1994

COMMODITIES AND AGRICULTURE

Coffee prices fall on Brazilian crop report

By Deborah Hargreaves

Coffee fell in London yesterday when estimates by the Brazilian government of the extent of damage to next year's crop disappointed traders by being in line with their expectations. Prices had been bid up in trading earlier this week following rumours that crop damage was

much greater than had previously been anticipated. The January futures contract slipped \$2 to \$3.506 a tonne on the London Commodity Exchange as the New York market also slowed. By midday, coffee futures at the Cofee, Sugar and Cocoa Exchange had slipped by 2 cents a pound to \$1.87.

The Brazilian government has estimated the 1995-1996 coffee crop at between 12.7m and 14.8m bags (60kg each) following two frosts and a prolonged drought. Government officials said the drought was likely to cause the crop to shrink 25 to 30 per cent on top of damage already wrought by the frosts. After the frosts, government

estimates put the crop at a minimum of 15.7m bags compared with the 26.5m bags which had been expected before. Even though the fall in the Brazilian crop will exacerbate tightness in world supplies by the middle of next year, analysts say the market is well supplied.

"There is plenty of coffee around right now. Sentiment in the market is turning bearish and there is a risk the market could drop sharply," said Mr. Judy Ganes, commodities analyst at Merrill Lynch in New York. Brazilian officials said output was not likely to return to normal until 1997.

Windwards impatient over delay to EU banana deal

By Deborah Hargreaves

Banana exporters from the Windward Islands are becoming increasingly impatient with internal wrangling at the European Commission that has delayed a transfer in their supply quotas for the fruit.

"We're getting frustrated. We can't delay our fixed costs or keep our regular customers supplied unless we get a quota increase," said Mr. Bernard Cornibert, Windward Islands banana London representative. St. Lucia, for example, is shipping only 3,000 tonnes of bananas a week to the EU market following the devastation of its crop. At this time in a normal year, its deliveries would be closer to 6,000 tonnes.

Mr. Cornibert says that meeting the same range of fixed costs on smaller tonnages of fruit has increased costs by 20 to 25 per cent. At the same time, the islands risk losing customers who they are at present unable to supply. He said it would take St

Lucia up to 9 months to restore production to its former levels, but its rehabilitation plans are dependent on aid from the EU under the Shaker economic programme. St. Lucia expects to receive £2.5m and Dominica should get £2.8m, but payment of the grants has also been delayed.

Bananas from Africa, Caribbean and Pacific countries enter the EU tariff-free, but quotas and tariffs are imposed on so-called 'dollar' bananas from Latin America under the EU's import regime. The regime is so controversial that the commission is studying 'what ever action it tries to take by opposition from Germany. An official said the quota issue could come to a vote next Wednesday.

Malaysia turns its back on commodities

Primary products have little place in the new industrial vision, writes Kieran Cooke

It is enough to make an old planter turn in his grave. Malaysia, for so long the world's leading producer of natural rubber, is turning its back on the industry.

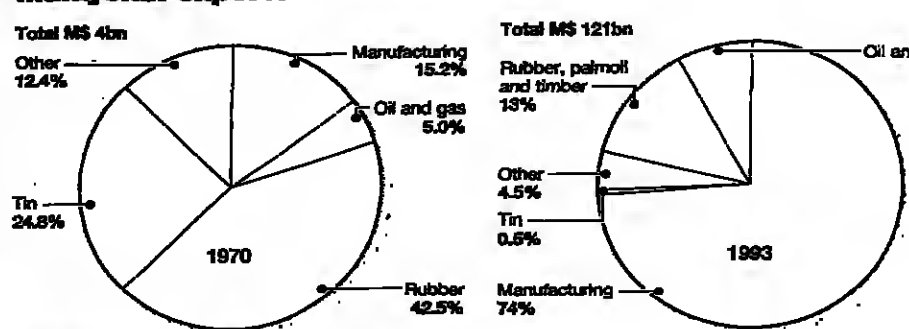
"Malaysia is no longer interested in producing rubber," says Dr Mahathir Mohamad, the prime minister and main architect of the country's recent high speed economic growth. "We hope to relocate the industry to neighbouring countries like Indonesia."

Dr Mahathir wants to make Malaysia a fully industrialised country by the year 2020, and production of primary commodities like rubber and tin has little place in this vision. Critics say the government's policies are misguided in the rush to industrialise a vital part of the economy is being neglected - expertise and knowledge built up over the years will be wasted.

Over the past 30 years the structure of Malaysia's economy has been transformed. In the early 1970s rubber and tin made up nearly 70 per cent of Malaysia's exports. Last year manufactured goods accounted for 74 per cent of export values, with rubber representing less than 2 per cent and tin only 0.5 per cent.

Until recently Malaysia led the world in the production of natural rubber and tin. In 1988 it produced 1.8m tonnes of natural rubber but this year output is likely to fall below 1m tonnes. Both Thailand and Indonesia are now bigger producers than Malaysia.

Malaysian exports



Source: Ministry of Finance, Ministry of Trade and Industry

The decline has been still more dramatic in Malaysia's tin industry. In the early 1980s it was producing more than 60,000 tonnes of tin a year. The industry - the foundation of the fortunes of many of the country's early entrepreneurs - then employed more than 40,000 people. This year tin production will probably be less than 6,000 tonnes and the industry's workforce has shrunk to about 2,000.

The one bright spot in the commodities sector is palm oil. Encouraged by generally buoyant world prices, production has doubled over the last ten years to reach almost 7m tonnes last year. Malaysia now accounts for about 55 per cent of total world palm oil output. The fall in world prices for most of Malaysia's primary commodity exports in recent years has been blamed for the sector's decline. But commodity producers argue that gov-

ernment policies have accelerated the process. "The government is obsessed with manufacturing and ignores the potential - and the problems - of the commodity sector," says one rubber producer. "Yet commodities are still a central part of the economy." Last year Malaysia's commodity exports, including forestry products but excluding oil and gas, were worth M\$25.2bn (£5bn).

While the share of commodities in overall export earnings is declining the statistics are misleading.

Commodity producers say their export earnings are far more direct benefit to Malaysia's economy than exports from the manufacturing sector. Multinational electronic companies, operating mostly in free trade zones, account for a large proportion of Malaysia's

manufacturing exports. Those exports have a high ratio of imported content. A large amount of the funds from manufacturing exports does not flow back into Malaysia but is repatriated overseas.

Labour shortage problems are particularly acute in the commodities sector. Local workers have drifted to jobs in factories in the cities and towns: most of those left behind in the rubber plantations and oil palm estates are elderly. As a result thousands of immigrants are working in the commodities sector: on some estates more than 70 per cent of employees are from Indonesia or Bangladesh.

The plantations object to paying a M\$300 government levy, plus recruiting expenses, for every foreign worker employed. After a few months, many immigrants go to jobs in the manufacturing sector. Mr Borge Bek-Nielsen, who runs

94,000 acres of palm oil plantations on Malaysia's west coast, says action must be taken to keep workers on the land. "In a way we are subsidising the industrial sector," says Mr Bek-Nielsen.

Malaysia has made substantial investments to develop downstream commodity industries. But producers say that if more attention is not paid to sustaining commodity output, downstream factories will be starved of raw materials.

In the first seven months of this year Malaysia's natural rubber imports increased by 53 per cent compared with the same period last year. In the first half of 1994 the country's domestic tin in concentrates production fell below consumption - a position undreamt of just a few years ago.

Malaysia leads the world in many aspects of commodity research and development. Its rubber, palm oil and cocoa plantations are among the best run and most productive. Producers say the government should encourage investors to capitalise on this expertise rather than continually urging people to put their money into the manufacturing sector.

Mr Lim Keng Yik, the minister of primary industries, told a planter's conference in Kuala Lumpur this month that people should not feel that the production of primary commodities in Malaysia had reached the end of the road.

But Dr Mahathir clearly feels this point has been reached in natural rubber production.

'Untransparent' LME attacked

By Kenneth Gooding, Mining Correspondent

The antipathy some metal producers and consumers feel about the London Metal Exchange was voiced yesterday by Mr Yves Rambaud, chairman of Eramet of France, the world's fourth-largest nickel producer.

Questioned about the recent sharp rise in the nickel price at a time when exchange stocks were also increasing, he said the LME was a "very untransparent market." It was not possible, for example, to know who owned the stocks in LME warehouses.

He said consumers were "frightened" of the LME and more and more of them were looking for long-term supply contracts from producers.

About 80 per cent of Eramet's nickel went to stainless steel producers, Mr Rambaud told the Association of Mining Analysts in London. These customers wanted two things in particular: continuity of supply and prices not to move outside a certain range which eliminated the peaks and the

supply surplus of 15,000 tonnes this year compared with surpluses of 45,000 and 75,000 tonnes in 1993 and 1992.

He pointed out that Russia's production could not increase unless high investments were made in its industry and then it would take three or four years for this investment to have an impact. Meanwhile, nickel consumption in Russia was at such a low level it could not fall much further.

Western producers needed an average price of \$3 to \$3.20 a pound to break even but a price of \$3.50 to \$4 was required to make it worth investing to expand existing capacity. Prices of more than \$5 were needed for new capacity. The LME three-month price closed last night just below last week's 24-year high at \$7,427.50 a tonne.

Eramet previously announced it would lift annual capacity at its 82-per-cent-owned SN (Société Nickelique) in New Caledonia from 50,000 to 60,000 tonnes. Mr Rambaud said this would be done step by step, "in line with market growth."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 1848-47 1859-59

Previous 1838-40 1850-58

High/Low 1871/1858 1851/1842

AM Official 1871-73 1860-81

Kerb close 1843-4

Open int. 260,287

Total daily turnover 51,502

ALUMINIUM ALLOY (\$ per tonne)

Cash 1838-40 1850-70

Previous 1820-25 1850-65

High/Low 1871/1858 1851/1842

AM Official 1835-45 1850-70

Kerb close 1840-5

Open int. 2,968

Total daily turnover 406

LEAD (\$ per tonne)

Cash 954-65 975.5-90.0

Previous 957-68 983.5-94.0

High/Low 998-68 989-65

AM Official 998-65 990-1

Kerb close 990-1

Open int. 43,708

Total daily turnover 7,992

NICKEL (\$ per tonne)

Cash 7305-15 7425-30

Previous 7345-55 7465-70

High/Low 7550/7300

AM Official 7420-25 7550-55

Kerb close 7340-4

Open int. 73,404

Total daily turnover 9,963

TIN (\$ per tonne)

Cash 9110-20 9200-10

Previous 9180-70 9255-60

High/Low 9165-75 9290/9160

AM Official 9165-75 9255-65

Kerb close 9160-70

Open int. 21,082

Total daily turnover 3,074

ZINC, special high grade (\$ per tonne)

Cash 1137-55 1150-61

Previous 1137-55 1174-75

High/Low 1155-5 1150/1155

AM Official 1155-5 1177-75

Kerb close 1155-5

Open int. 105,097

Total daily turnover 25,753

COPPER, grade A (\$ per tonne)

Cash 2672-73 2695-48

Previous 2707-11 2690-94

High/Low 2710 2687/2698

AM Official 2710-10 2690-92

Kerb close 2710-10

Open int. 222,106

Total daily turnover 87,926

LME Official 24 hr. 1994

LME Closing 24 hr. 1993

Spot 1993 3 mth 1994 6 mth 1993 1 mth 1993

HIGH GRADE COPPER (COMEX)

Cash 2672-73 2695-48

Previous 2707-11 2690-94

High/Low 2710 2687/2698

AM Official 2710-10 2690-92

Kerb close 2710-10

Open int. 222,106

Total daily turnover 87,926

Precious Metals continued

GOLD COMEX (100 Troy oz. \$/troy oz.)

Cash 358.8 358.8

Previous 358.8 358.8

High/Low 358.8 358.8

AM Official 358.8 358.8

Kerb close 358.8

Open int. 186,888

Total daily turnover 30,497

PLATINUM NYMEX (50 Troy oz. \$/troy oz.)

Cash 468.8 468.8

Previous 468.8 468.8

High/Low 468.8 468.8

AM Official 468.8 468.8

Kerb close 468.8

Open int. 27,233

Total daily turnover 12,115

PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

Cash 155.0 155.0

Previous 155.0 155.0

High/Low 155.0 155.0

AM Official 155.0 155.0

Kerb close 155.0

Open int. 7,985

Total daily turnover 1,398

SILVER COMEX (100 Troy oz. \$/troy oz.)

Cash 510.4 510.4

Previous 510.4 510.4

High/Low 510.4 510.4

AM Official 510.4 510.4

Kerb close 510.4

Open int. 51,070

Total daily turnover 18,823

CRUDE OIL NYMEX (42,000 US gals. \$/barrel)

Cash 18.36 18.36

Previous 18.36 18.36

High/Low 18.36 18.36

AM Official 18.36 18.36

Kerb close 18.36

Open int. 18,007

Total daily turnover 17,450

HEATING OIL NYMEX (42,000 US gals. \$/barrel)

Cash 18.00 18.00

Previous 18.00 18.00

High/Low 18.00 18.00

AM Official 18.00 18.00

Kerb close 18.00

Open int. 17,391

Total daily turnover 12,246

CRUDE OIL NYMEX (42,000 US gals. \$/barrel)

Cash 17.30 17.30

Previous 17.30 17.30

High/Low 17.30 17.30

AM Official 17.30 17.30

Kerb close 17.30

Open int. 17,391

Total daily turnover 12,246

GAS OIL NYMEX (42,000 US gals. \$/barrel)

Cash 15.50 15.50

Previous 15.50 15.50

High/Low 15.50 15.50

AM Official 15.50 15.50

Kerb close 15.50

Open int. 15,500

Total daily turnover 16,996

NATURAL GAS NYMEX (10,000 cu ft. \$/unit)

Cash 1.70 1.70

Previous 1.70 1.70

High/Low 1.70 1.70

AM Official 1.70 1.70

Kerb close 1.70

Open int. 1,700

Total daily turnover 23,731

UNLEADED GASOLINE NYMEX (42,000 US gals. \$/barrel)

Cash 1.60 1.60

Previous 1.60 1.60

High/Low 1.60 1.60

AM Official 1.60 1.60

Kerb close 1.60

Open int. 1,600

Total daily turnover 23,731

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Cash 104.30 104.30

Previous 104.30 104.30

High/Low 104.30 104.30

AM Official 104.30 104.30

Kerb close 104.30

Open int. 104,300

Total daily turnover 10,430

WHEAT CBT (5,000bu min; cents/bushel)

Cash 399.2 399.2

Previous 399.2 399.2

High/Low 399.2 399.2

AM Official 399.2 399.2

Kerb close 399.2

Open int. 399,200

Total daily turnover 39,920

MAIZE CBT (5,000bu min; cents/bushel)

Cash 219.0 219.0

Previous 219.0 219.0

High/Low 219.0 219.0

AM Official 219.0 219.0

Kerb close 219.0

Open int. 219,000

Total daily turnover 21,900

BARLEY CBT (5,000bu min; cents/bushel)

Cash 104.30 104.30

Previous 104.30 104.30

High/Low 104.30 104.30

AM Official 104.30 104.30

Kerb close 104.30

Open int. 104,300

TRANSPORT - Cont.

[illegible]

Tenneco-Dow		
Trans Gas Pipe		
SOUTH AFRICAN		
	Notes	Price
Anglo Am Ind		\$294 1/2
Barlows	✓	\$61 1/2
Gold Pils Prop R	✓	10 1/2
NK Props		65
SASOL	✓	102 1/2
SA Brown		\$18 1/2
Tiger Data	✓	80 1/2
Anglo-Am Ind	h	67 1/2

GUIDE TO LONDON

Prices for the London Stock Exchange are based on the closing prices of the Financial Times.

Company classifications are based on the London Stock Exchange.

Choking mid-prices are shown in italics.

Prices are based on intra-day closing prices.

Where stocks are denominated in pounds, the price is indicated after the name.

Symbols referring to dividend status are as follows:

[illegible]

report of any company. Please quote the 081-770 0770 (open weekends) or Fax 1 from outside the UK or fax +44 81 770 3 the next working day.

FT Cityline
Up-to-the-second share telephone from the Monday's share price. An international service outside the UK, annual. Call 071-873 4378 1-44 for more information or

FT MANAGED FUNDS SERVICE

● ET Cityline Unit Trust Prices are available over the telephone. Call the ET Cityline Help Desk on (+44 71) 973 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986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Latin America	112.40	112.40
Developing Asia	112.40	112.40
Emerging Europe	112.40	112.40
Global Emerging Mkts	112.40	112.40
Latin America	112.40	112.40
Developing Asia	112.40	112.40
Emerging Europe	112.40	112.40

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AMERICA

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Sun Life Global Management

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108	NC	127	NC
109	NC		

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar takes fresh heart from US election results

The dollar yesterday rallied on the foreign exchanges as traders took heart from the good showing by Republicans in the mid-term congressional elections, writes Philip Gwinth.

Analysts were split about the implications of the results for the dollar, but the market's initial reaction was to assume that the shift in power towards the Republicans favoured US financial assets and the currency.

The dollar finished in London at DM1.63, two pence up on Tuesday's close of DM1.607. Against the yen it finished at ¥97.79, from ¥97.005.

Sterling lost 1½ cents against the stronger dollar, to finish at \$1.6036, from \$1.6164. It was stronger against the D-Mark, closing at DM2.4534, from DM2.4422.

Opinions diverged about whether, and why, the election results were important. Some saw them as the catalyst for a

big turn in the dollar, predicted on changes to fiscal policy, and a more aggressive Federal Reserve, released from the perceived constraints of a Democratic presidency.

Others were more cautious, but said the election was still part of an important conjuncture of events favouring the dollar. Mr Neil MacKinnon, chief economist at Citibank in London, said the combination of last week's Fed intervention to support the dollar, the election result, and further monetary tightening made him much more confident about the dollar's prospects.

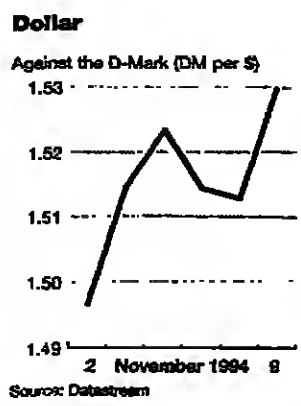
Having been bearish on the dollar for the past year, the Citibank analyst said he had now changed his view. "The downside for the dollar is

likely to be quite limited. I now believe the dollar goes up from here."

Mr MacKinnon said: "The argument is based on the view that what is crucial for the prospects of the dollar is the relative attractiveness of US financial assets." He saw this improving, on the basis of the Fed getting "ahead of the curve" in the battle against inflation, and this attracting financial flows back to the US.

Although investor buying would probably only slow the capital outflow from the US, a long term bearish influence on the dollar, Mr MacKinnon said it could rise as far as DM1.67 next year. This would be below the DM1.77 high it touched last February.

Not all observers share this optimism. SG Warburg, for example, forecast the dollar at DM1.35 at the end of 1995. Mr Steve Hannah, head of research at IBJ International, was more sceptical about the importance of the elections. He



Sources: Datastream

said the result might justify a "modest re-rating" of dollar assets. "It would be very sceptical about seeing this as a change in trend in terms of the dollar's performance."

He said the election result had resolved an element of political uncertainty, but this had not been a significant cause of dollar weakness. "Monetary policy is a 90 per

cent explanatory factor," said Mr Hannah. "Unless the market feels comfortable about the Fed's policy stance, and the election result doesn't alter that, then we haven't really moved on."

The IBJ analyst said the market price was probably exaggerating the influence of the elections. Yesterday's move was a technical short squeeze, rather than a shift in trend. The latter would require aggressive Fed action - two 50 basis point increases in US rates before the end of the year - and an indication that earlier tightness was slowing the economy, thus curbing inflationary pressures.

The French franc fell to Fr3.438/DM, from Fr3.435, its lowest level since December last year, with the early stages of next year's presidential campaign beginning to weigh on the currency.

Mr Chris Turner, currency analyst at BZW in London,

said: "It is difficult to see the franc appreciating ahead of the election, even if the dollar stages a strong recovery." The catalyst for recent weakness was the entry into the campaign of Mr Jacques Chirac. He unseated markets by saying French participation in European monetary union should be put to a referendum.

The Bank of England provided UK money markets with £1.05bn of late assistance, and £143m at established rates, after forecasting a £13bn daily shortage. Three month LIBOR was at 6½ per cent. Firmer gilt futures, with the December contract closing at 93.60 from 93.55.

Other currencies: The Hong Kong dollar fell to HK\$7.75/£, from HK\$7.78, its lowest level since December last year, with the early stages of next year's presidential campaign beginning to weigh on the currency.

POUND SPOT FORWARD AGAINST THE POUND

Nov 9	Closing mid-point	Change on day	Bank of England	Nov 9	Closing mid-point	Change on day	Bank of England
Europe	17.2622	+0.0724	644	17.2622	17.1908	17.2578	0.3
Australia	(Sd)	10.4780	-0.1271	267	10.4780	10.4406	0.6
Belgium	(Bf)	36.1271	+0.0382	107	36.1271	36.1271	0.0
Denmark	(DK)	8.8151	+0.0012	107	8.8151	8.8151	0.0
France	(Ffr)	17.2622	+0.0724	644	17.2622	17.1908	0.3
Germany	(DM)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Greece	(Dr)	377.877	+1.274	714	377.877	377.877	0.0
Ireland	(Ir£)	1.6175	+0.0025	165	1.6175	1.6175	0.0
Italy	(Lira)	2620.08	+6.44	851	2620.08	2620.08	0.0
Luxembourg	(Lfr)	50.4780	-0.1271	267	50.4780	50.4406	0.6
Netherlands	(Dfl)	2.7480	+0.0007	478	2.7480	2.7480	0.0
Norway	(Nkr)	10.7180	+0.0718	142	10.7180	10.7180	0.0
Portugal	(Esc)	200.493	+0.0048	408	200.493	200.493	0.0
Spain	(Pes)	11.7558	+0.0048	408	11.7558	11.7558	0.0
Sweden	(Skr)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Switzerland	(Sfr)	1.2899	+0.0048	408	1.2899	1.2899	0.0
UK	(£)	0.916772	-0.0048	408	0.916772	0.916772	0.0
USA	(\$)	1.6036	+0.0102	521	1.6036	1.6036	0.0
Argentina	(Peso)	1.8017	-0.0158	013	1.8017	1.8017	0.0
Brazil	(R)	1.3318	-0.0123	307	1.3318	1.3318	0.0
Canada	(Cdn)	2.1691	-0.0028	890	2.1691	2.1691	0.0
China	(Yen)	6.4948	+0.0048	408	6.4948	6.4948	0.0
India	(Rupee)	1.8017	-0.0158	013	1.8017	1.8017	0.0
Japan	(Yen)	97.79	+0.79	79	97.79	97.79	0.0
Korea	(Won)	127.73	+0.73	73	127.73	127.73	0.0
Malaysia	(Ringgit)	2.4534	+0.0102	521	2.4534	2.4534	0.0
New Zealand	(NZ\$)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Philippines	(Peso)	37.7877	+1.274	714	37.7877	37.7877	0.0
Saudi Arabia	(Riyal)	0.1014	-0.0014	101	0.1014	0.1014	0.0
Singapore	(Dollar)	2.4534	+0.0102	521	2.4534	2.4534	0.0
South Africa	(Rand)	6.4948	+0.0048	408	6.4948	6.4948	0.0
South Korea	(Won)	127.73	+0.73	73	127.73	127.73	0.0
Taiwan	(Dollar)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Thailand	(Baht)	0.1014	-0.0014	101	0.1014	0.1014	0.0

Source: Reuters. For Nov 9, Bid/offer spread in the Pound Spot table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling futures are quoted by the Bank of England, based on 100,000, Oct and Nov rates in both the table and the Dollar Spot table derived from the FRB/STANFORD CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 9	Closing mid-point	Change on day	Bank of England	Nov 9	Closing mid-point	Change on day	Bank of England
Europe	10.7180	+0.0718	142	10.7180	10.7180	10.7180	0.0
Australia	(Sd)	10.4780	-0.1271	267	10.4780	10.4406	0.6
Belgium	(Bf)	36.1271	+0.0382	107	36.1271	36.1271	0.0
Denmark	(DK)	8.8151	+0.0012	107	8.8151	8.8151	0.0
France	(Ffr)	17.2622	+0.0724	644	17.2622	17.1908	0.3
Germany	(DM)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Greece	(Dr)	377.877	+1.274	714	377.877	377.877	0.0
Ireland	(Ir£)	1.6175	+0.0025	165	1.6175	1.6175	0.0
Italy	(Lira)	2620.08	+6.44	851	2620.08	2620.08	0.0
Luxembourg	(Lfr)	50.4780	-0.1271	267	50.4780	50.4406	0.6
Netherlands	(Dfl)	2.7480	+0.0007	478	2.7480	2.7480	0.0
Norway	(Nkr)	10.7180	+0.0718	142	10.7180	10.7180	0.0
Portugal	(Esc)	200.493	+0.0048	408	200.493	200.493	0.0
Spain	(Pes)	11.7558	+0.0048	408	11.7558	11.7558	0.0
Sweden	(Skr)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Switzerland	(Sfr)	1.2899	+0.0048	408	1.2899	1.2899	0.0
UK	(£)	0.916772	-0.0048	408	0.916772	0.916772	0.0
USA	(\$)	1.6036	+0.0102	521	1.6036	1.6036	0.0
Argentina	(Peso)	1.8017	-0.0158	013	1.8017	1.8017	0.0
Brazil	(R)	1.3318	-0.0123	307	1.3318	1.3318	0.0
Canada	(Cdn)	2.1691	-0.0028	890	2.1691	2.1691	0.0
China	(Yen)	6.4948	+0.0048	408	6.4948	6.4948	0.0
India	(Rupee)	1.8017	-0.0158	013	1.8017	1.8017	0.0
Japan	(Yen)	97.79	+0.79	79	97.79	97.79	0.0
Korea	(Won)	127.73	+0.73	73	127.73	127.73	0.0
Malaysia	(Ringgit)	2.4534	+0.0102	521	2.4534	2.4534	0.0
New Zealand	(NZ\$)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Philippines	(Peso)	37.7877	+1.274	714	37.7877	37.7877	0.0
Saudi Arabia	(Riyal)	0.1014	-0.0014	101	0.1014	0.1014	0.0
Singapore	(Dollar)	2.4534	+0.0102	521	2.4534	2.4534	0.0
South Africa	(Rand)	6.4948	+0.0048	408	6.4948	6.4948	0.0
South Korea	(Won)	127.73	+0.73	73	127.73	127.73	0.0
Taiwan	(Dollar)	2.4534	+0.0102	521	2.4534	2.4534	0.0
Thailand	(Baht)	0.1014	-0.0014	101	0.1014	0.1014	0.0

Source: Reuters. For Nov 9, Bid/offer spread in the Dollar Spot table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. US dollar & CFI are quoted in US currency. J.P. Morgan nominal indices Nov 7, Base average 1993=100

GROSS RATES AND DERIVATIVES

Nov 9	BFY	DKR	FFr	DM	£	L	R	Nkr	Es	Pta	Sfr	Y	Y	Y	Y
Belgium	(Bf)	10.1005	18.71	4.859	2.015	4.892	5.446	21.24	493.4	405.1	23.38	4.068	1.381	4.297	3.177
Denmark	(DK)	8.8151	10.1005	18.71	4.859	2.015	4.892	5.446	21.24	493.4	405.1	23.38	4.068	1.381	4.297
France	(Ffr)	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622	17.2622
Germany	(DM)	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534
Greece	(Dr)	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877	377.877
Ireland	(Ir£)	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175	1.6175
Italy	(Lira)	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08	2620.08
Luxembourg	(Lfr)	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780	50.4780
Netherlands	(Dfl)	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480	2.7480
Norway	(Nkr)	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180	10.7180
Portugal	(Esc)	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493	200.493
Spain	(Pes)	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558	11.7558
Sweden	(Skr)	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534	2.4534
Switzerland	(Sfr)	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899	1.2899
UK	(£)	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772	0.916772
USA	(\$)	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036	1.6036

Source: Reuters. For Nov 9, Bid/offer spread in the Pound Spot table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling futures are quoted by the Bank of England, based on 100,000, Oct and Nov rates in both the table and the Dollar Spot table derived from the FRB/STANFORD CLOSING SPOT RATES. Some values are rounded by the F.T.

J-D-MARK FUTURES (DM) DM 125,000 per DM

Nov 9	Open	Settle	Change	High	Low	Est. vol	Open int.
Dec	0.9828	0.9842	+0.0014	0.9854	0.9834	31,738	88,447
Mar	0.9859	0.9869	+0.0010	0.9884	0.9849	208	6,430
Jun	0.9890	0.9900	+0.0010	0.9910	0.9880	6	1,267

J-D-MARK FUTURES (DM) DM 125,000 per DM

Nov 9	Open	Settle	Change	High	Low	Est. vol	Open int.
Dec	0.7935	0.7929	-0.0006	0.7945	0.7919	20,486	41,850
Mar	0.7941	0.7935	-0.0006	0.7951	0.7925	108	2,220
Jun	0.7945	0.7939	-0.0006	0.7955	0.7929	20	195

J-D-MARK FUTURES (DM) DM 125,000 per DM

Local authority depa.	5½ - 5½	5½ - 5½	5½ - 5½	6½ - 5½	6½ - 6½	7½ - 7½
Discount Market depa	6½ - 6½	6½ - 6½	6½ - 6½	-	-	-

UK closing bank base lending rate 5½ per cent from September 12, 1994

	Up to 1	1-3	3-6	6-9	9-12
	month	month	months	months	months
Certs of Tax den. £100,000	1½	4	3½	3½	3½

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US INDICES										
	Nov 9	Nov 8	Nov 7	High	Low	Nov 9	Nov 8	Nov 7	High	Low
Dow Jones	3087.74	3088.87	3087.52	3078.56	3092.35	3078.56	3078.56	3078.56	3078.56	3078.56
Industrial	3632.74	3638.87	3637.52	3628.56	3642.35	3628.56	3628.56	3628.56	3628.56	3628.56
Transport	1491.82	1492.87	1491.52	1482.56	1495.35	1482.56	1482.56	1482.56	1482.56	1482.56
Utilities	1781.54	1782.87	1781.52	1772.56	1785.35	1772.56	1772.56	1772.56	1772.56	1772.56
Chemical	1581.54	1582.87	1581.52	1572.56	1585.35	1572.56	1572.56	1572.56	1572.56	1572.56
Food	1381.54	1382.87	1381.52	1372.56	1385.35	1372.56	1372.56	1372.56	1372.56	1372.56
Textile	1181.54	1182.87	1181.52	1172.56	1185.35	1172.56	1172.56	1172.56	1172.56	1172.56
Metals	1081.54	1082.87	1081.52	1072.56	1085.35	1072.56	1072.56	1072.56	1072.56	1072.56
Oil	981.54	982.87	981.52	972.56	985.35	972.56	972.56	972.56	972.56	972.56
Auto	881.54	882.87	881.52	872.56	885.35	872.56	872.56	872.56	872.56	872.56
Health	781.54	782.87	781.52	772.56	785.35	772.56	772.56	772.56	772.56	772.56
Telecom	681.54	682.87	681.52	672.56	685.35	672.56	672.56	672.56	672.56	672.56
Real Estate	581.54	582.87	581.52	572.56	585.35	572.56	572.56	572.56	572.56	572.56
Energy	481.54	482.87	481.52	472.56	485.35	472.56	472.56	472.56	472.56	472.56
Technology	381.54	382.87	381.52	372.56	385.35	372.56	372.56	372.56	372.56	372.56
Media	281.54	282.87	281.52	272.56	285.35	272.56	272.56	272.56	272.56	272.56
Healthcare	181.54	182.87	181.52	172.56	185.35	172.56	172.56	172.56	172.56	172.56
Consumer Goods	81.54	82.87	81.52	72.56	85.35	72.56	72.56	72.56	72.56	72.56
Financial	31.54	32.87	31.52	22.56	35.35	22.56	22.56	22.56	22.56	22.56

US INDICES

	Nov 9	Nov 8	Nov 7	High	Low
Dow Jones	3087.74	3088.87	3087.52	3078.56	3092.35
Industrial	3632.74	3638.87	3637.52	3628.56	3642.35
Transport	1491.82	1492.87	1491.52	1482.56	1495.35
Utilities	1781.54	1782.87	1781.52	1772.56	1785.35
Chemical	1581.54	1582.87	1581.52	1572.56	1585.35
Food	1381.54	1382.87	1381.52	1372.56	1385.35
Textile	1181.54	1182.87	1181.52	1172.56	1185.35
Metals	1081.54	1082.87	1081.52	1072.56	1085.35
Oil	981.54	982.87	981.52	972.56	985.35
Auto	881.54	882.87	881.52	872.56	885.35
Health	781.54	782.87	781.52	772.56	785.35
Telecom	681.54	682.87	681.52	672.56	685.35
Real Estate	581.54	582.87	581.52	572.56	585.35
Energy	481.54	482.87	481.52	472.56	485.35
Technology	381.54				

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NASDAQ NATIONAL MARKET

Stock	P/E	5 Yr	High	Low	Last	Chg	Stock	P/E	5 Yr	High	Low	Last	Chg	Stock	P/E	5 Yr	High	Low	Last	Chg
ABC Inc.	0.20	18	12	14	14	+	Delecto	20.44	4	10	16	18	+	Qualcomm	82.72	4	10	18	10	10
ABC Corp.	0.13	32	109	175	184	+	Dell Computers	46.8384	45	35	45	44	+	Qualcomm	82.72	4	10	18	10	10
Accord Inc.	21	4312	114	164	164	+	Digital	0.30	27	1935	32	214	+	Qualcomm	82.72	4	10	18	10	10
Acme Int'l	15	33	134	174	174	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Acme Int'l	40	49	284	284	284	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adelphi	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
AdTech	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.20	24	462	304	304	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	40	49	284	284	284	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
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Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
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Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.20	24	462	304	304	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	40	49	284	284	284	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
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Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.20	24	462	304	304	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	40	49	284	284	284	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	1402	45	44	44	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	6	1385	11	10	10	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.18	21	8	354	354	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	0.20	24	462	304	304	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	40	49	284	284	284	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	22	2494	244	234	234	+	Draco	1.72	8	18	24	24	+	Qualcomm	82.72	4	10	18	10	10
Adventures	31	140																		

+1g	- H -						Now Image	31	421	54 1/2	51 1/2	53 1/2	+1g	71
-1g	Hamilton &	65	118	7 1/2	7 1/4	7 1/4	-1g	MidwayNet	22	1414	30 1/2	29 1/2	30	1JH

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1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

...the fact that the ...

Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses was significantly higher than the number of incorrect responses in all cases.

DataSwitch	41	45	2 $\frac{1}{2}$ _B	2 $\frac{3}{4}$ _B	2 $\frac{1}{2}$ _L	+1 _B	Johnson W	55	276	22 $\frac{1}{2}$ _B	22 $\frac{1}{4}$ _L	22 $\frac{1}{4}$ _L	Pr/Cost	23	5851	19 $\frac{1}{4}$ _L	15 $\frac{1}{2}$ _B	16 $\frac{1}{4}$ _L	1 $\frac{1}{2}$ _L
Datadisc	37	6	9	9	8		Jones Int	10	301	14 $\frac{1}{4}$ _B	13 $\frac{3}{4}$ _L	14 $\frac{1}{4}$ _L	Pride Pol	40	189	5 $\frac{1}{2}$ _B	5 $\frac{1}{4}$ _L	5 $\frac{1}{4}$ _L	

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Daigle, J. 100	16	734	17 1/4	17	17 1/4	-1 1/4	Jones Med	0 10	12	234	0 8	0 8	0 8	-1 1/4	Printron	38	405	22 1/4	21	21 1/4	+1 1/4	Xerox	37	3586	59	57 1/2	58	-1 1/4
Daugherty, 101	11	1546	24	23 1/2	23 1/2	+1 1/2	Joshyn Cp	1 20	27	90	35 1/4	25 1/4	25 1/4	-1 1/2	Prod Ops	0 24	22	936	25 1/4	25 1/4	-1 1/4	Xerox Corp	1	2468	24	23 1/2	25	+1 1/2
Daugherty, 102	11	70	27	27	27	-1 1/4	Joshyn Cp	0 20	16	488	24 1/4	24 1/4	24 1/4	-1 1/4	Prod Ops	0 17	13	2084	24 1/4	24 1/4	-1 1/4	Yellow	0 01	25	103	103	103	-1 1/4

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466
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